

# 2020

## ANNUAL REPORT



**MOZAFFAR HOSSAIN SPINNING MILLS LTD.**



01	Transmittal Letter
02	Notice of the 15 <sup>th</sup> Annual General Meeting
03	Corporate Directory
04	Corporate Management
05	Five Years' Financial Summery
06	Company Profile
07	Album of MHSML
08	Factory Highlights
10	Photographs of 14 <sup>th</sup> AGM, 2019
12	The Board of Directors
15	Message from the Chairman
16	Board of Director's and Managment of the Company
17	Mangement Team
19	Directors' Report
24	CEO & CFO's Declaration to the Board of Directors
25	BAPLC Certificate
26	CGC Certificate
27	Corporate Governance Compliance Report
40	Auditor Committee Report
42	NRC Committee
44	Financial Statements
75	Proxy Form & Attendance Slip

# Transmittal Letter

To  
All Share Holders,  
Bangladesh Securities and Exchanges Commission,  
Registrar of Joint Stock Companies & Firms,  
Dhaka Stock Exchange Limited,  
Chittagong Stock Exchange Limited.

**Subject: Annual Report for the year ended June 30, 2020.**

Dear sir (s),  
Enclosed please find a copy of Annual Report together with the Audited Financial Statements including Statement of Financial Position, Statement of Profit or Loss & Other Comprehensive Income, Statement of Cash Flow and Statement of Changes in Equity for the year ended June 30, 2020 along with notes to thereon of Mozaffar Hossain Spinning Mills Limited for your kind information and records.

Thank you.

Sincerely yours,



**(Haris Alam)**

Company Secretary

MOZAFFAR HOSSAIN SPINNING MILLS LTD.







## Mozaffar Hossain Spinning Mills Limited

House # 315, Road # 04, DOHS, Baridhara, Dhaka-1206

### Notice of the 15th Annual General Meeting

Notice is hereby given that the 15<sup>th</sup> Annual General Meeting (AGM) of the shareholders of Mozaffar Hossain Spinning Mills Limited will be held on Sunday, December 27, 2020 at 11.00 a.m. at the Digital Platform to transact the following business.

#### Agenda

1. To consider the Audit Report and Financial Statements for the year ended June 30, 2020 along with report of the Auditors and Directors.
2. To approve the dividend for the year ended June 30, 2020 as recommended by the Board of Directors.
3. Fixation the Record Date and the date, time and venue of the 15th Annual General Meeting.
4. To elect Directors in place of those who are to retire by rotation in terms of the provision of the Articles of Association of the Company.
5. To appoint statutory Auditors for the year 2020-2021 and to fix their remuneration.
6. To appoint Corporate Governance Compliance for the year 2020-2021 and to fix their remuneration.
7. To approve yearly Sales contract with related party 'SIM Fabrics Ltd.'
8. To transact any other business with the permission of the Chair.

By order of the Board

  
(Haris Alam)

Company Secretary

Dated: October 28, 2020

#### Notes:

1. November 26, 2020 is scheduled as Record Date for the 15th AGM of the company. Shareholders whose name will appear on the Register of Members/CDS record on the Record Date will be eligible to attend in the meeting and entitled for dividend.
2. Pursuant to the Bangladesh Securities and Exchange Commission's Order No.SEC/SRMIC/94-231/25 dated 08 July 2020, the AGM will be conducted via live webcast by using digital platform.
3. The Members will be able to submit their questions/comments and vote electronically 24 hours before commencement of the AGM and during the AGM. For logging in to the system, the Members need to put their 16-digit Beneficial Owner (BO) ID number and other credential as proof of their identity by visiting the link <http://mhsm15thagm.digitalagmbd.net>
4. Pursuant to the Bangladesh Securities and Exchange Commission (BSEC) Notification No. BSEC/CMRRCD/2006-158/208/Admin/81 dated 20 June 2018, the soft copy of the Annual Report 2019-2020 is being sent to the email addresses of the Members available in their Beneficial Owner (BO) accounts maintained with the Depository. The Members are requested to update their email addresses through their respective Depository Participant (DP). The soft copy of the Annual Report 2019-2020 will also be available on the Company's website at: [www.simgroup-bd.com](http://www.simgroup-bd.com)
5. A Shareholder eligible to attend and vote at the AGM, may appoint a Proxy to attend and vote in his/her behalf. The Proxy Form duly filled, signed and stamped must be deposited at the Corporate Office of the company not later than 72 hours before the AGM.
6. Members are requested to update their respective BO Account with 12 Digit e-TIN, Bank Account, Mailing Address and Contact Number through their respective Depository Participant (DP).
7. The concerned Brokerage Houses/DPs are requested to provide us the statement (both of hard copy & soft copy) with details of their margin loan holders entitled to Dividend for the year ended on 30 June 2020. The statement should include Shareholders Name, BOID Number, Client-wise shareholding position, contact person etc.

## Corporate Directory

➤ Date of Incorporation	29.11.2005
➤ License from Ministry of Environment	22.01.2009
➤ License from Bangladesh Export Promotion Bureau	14.01.2008
➤ License from Bangladesh Import Promotion Bureau	04.10.2010
➤ Signing of Management Contract with Suntech Energy Ltd.	28.02.2015

✓ Approval of Initial Public Offering by Bangladesh Securities and Exchange Commission	10.09.2013
✓ Listing with Dhaka Stock Exchange Ltd.	21.01.2014
✓ Listing with Chittagong Stock Exchange Ltd.	21.01.2014
✓ Category of Share Change to "A" from "N"	13.11.2014
✓ Authorized Share Capital	Tk. 3,000 Million
✓ Paid up Share Capital	Tk. 1,009.93 Million
✓ Date of Last AGM	24.12.2019

# Corporate Management

## Board of Directors

### Chairman

Mrs. Rahima Hossain

### Managing Director

Md. Mozaffar Hossain

### Director

Raisul Hasan

### Nominee Director

ASM Rakibul Hasan

Mr. Sanwar Hossain

### Independent Director

Mr. Anwarul Hoque

Mr. Md. Mijanur Rahman

### Company Secretary

Haris Alam

### Chief Financial Officer

Biplob Kumar Mondol

### In-Charge(Share Division)

Muhammad Ilyas

### Audit Committee

Mr Anwarul Hoque : Chairman

Md.Mozaffar Hossain : Member

Raisul Hasan : Member

Haris Alam : Secretary

### Head of Internal Audit

Md. Atiqur Rahman Bhuiyan, FCMA

## Auditor

Rahman Mostafa Alam & Co.

Chartered Accountants

House #195, New DOHS,

Road#1(3rd Floor, C-3)

Mohakhali ,Dhaka-1206.

E-mail: rmadhaka@gmail.com

## Banker

Islami Bank Bangladesh Limited

Mouchak Branch

Hosaf Twin Tower (Ground Floor)

New Circular Road, Malibag, Dhaka-1217

## Corporate Governance Certified

Mohammad Ata Karim & Co.

Chartered Accountants

Palton Tower (2nd Floor),Suit # 205

87,Purana Paltan Line, Dhaka 1000

## Insurer

Eastland Insurance Company Limited

13 Dilkusha C/A, Dhaka-1000, Bangladesh

Phone: 9564600

## Registered Office

House # 315, Road # 04, DOHS, Baridhara, Dhaka-1206

Phone: +88-02-8415961-3,

Fax: +88-02-8415964

Mob# 01777769736

ilyas@simgroup-bd.com

E-mail: info@simgroup-bd.com

Web: www.simgroup-bd.com

## Factory Office

Thakurbari Teac, Masumabad

Bhulta, Rupgonj, Narayangonj



# 05 (Five) Years' Financial Summary

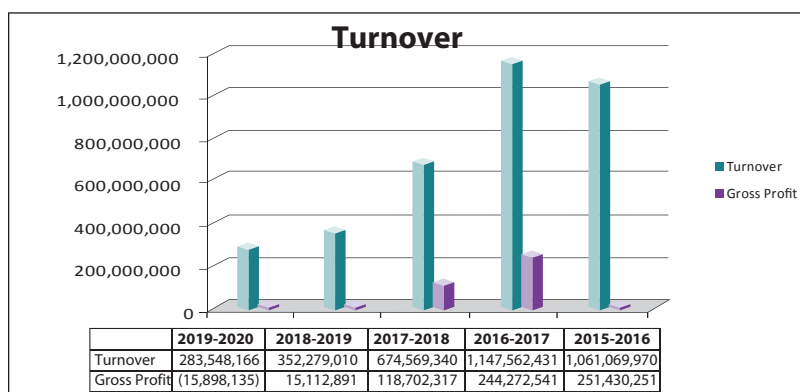


Amount in Taka

Operational Result	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16
Turnover	283,548,166	352,279,010	674,569,340	1,147,562,431	1,061,069,970
Gross Profit	(15,898,135)	15,112,891	118,702,317	244,272,541	251,430,251
Profit from Operation	(49,285,256)	(5,540,446)	97,622,040	228,279,805	240,007,832
Net Profit before tax	(131,788,620)	(99,121,889)	57,111,940	177,590,010	182,867,165
Net Profit after Tax	(119,837,397)	(95,617,854)	48,478,988	150,934,445	154,373,254
Net Cash Flow From Operation	(750,866,485)	397,347,222	190,559,992	138,584,545	207,401,863

Financial Position	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16
Fixed Assets	3,511,101,149	3,419,104,279	1,027,995,960	736,456,966	739,205,845
Current Assets	1,025,889,220	683,181,614	1,059,205,792	1,135,828,131	1,006,291,727
Shareholder's Equity	1,415,156,554	1,534,993,951	1,638,208,275	1,589,729,287	1,465,913,819
Long Term Liability	971,881,330	439,499,612	99,393,842	44,210,785	39,622,307

Key Financial Ratio	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16
Current Ratio	0.48	0.32	2.99	4.66	4.11
Quick Ratio	0.11	0.21	2.16	3.43	2.84
Debt to Equity Ratio	1.48	0.72	0.17	0.04	0.03
Net Income Ratio (%)	(42.26)	(27.14)	7.19	13.15	14.55
Return on Equity (%)	(8.12)	(6.03)	5.14	9.49	10.53
Earning Per Share	(1.19)	(0.95)	0.51	1.68	1.72





## Company Profile

Mozaffar Hossain Spinning Mills Limited (here in after referred to as “MHSML” or “The Company”) was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-59784(1791)/05 dated November 29, 2005 as a Private Limited Company by shares namely Mozaffar Hossain Textile Mills Limited. Subsequently the company renamed as Mozaffar Hossain Spinning Mills Limited in December 14, 2011 and the company was emerged as a public limited company on the same date and year. In January 2014 Mozaffar Hossain Spinning Mills Limited listed its share with both Dhaka and Chittagong Stock Exchange.

The registered office and principal place of business of the company is situated at House # 315, Road # 04, DOHS Baridhara, Dhaka-1206, Bangladesh and the manufacturing establishment is located at Thakurbari Teac, Masumabad, Bhulta, Rupgonj, and Narayanganj.

Mozaffar Hossain Spinning Mills Limited runs the business of 100% export oriented woven fabrics cotton yarn. The company's production facility is equipped with machineries of Germany. The company aims to provide high quality woven fabrics cotton yarn.

### Our Vision

1. We aspire to maintain our leadership position in the Textile Industry by producing the best quality various counts of yarns and becoming a reliable business partner of our buyer and suppliers.
2. Protect the interest of our shareholder through sustainable growth and value creation.
3. Preserve the Trust of all our Stakeholders by adopting ethical business practices.
4. Support the society through corporate social responsibility initiative.

### Our Mission

MHSML will remain an acknowledged leader in providing high quality products & services, to its customers.  
MHSML will continue to provide superior quality of fabrics.

### Our Customers see us as:

1. Provider of state of the art product.
2. Focus on their specific needs.
3. Valuable contributors to their Organizations.

### Our Employees:

1. The reason for us being in business.
2. Provide cutting edge, solutions to our customers.
3. Acquire skills in anticipation of future needs.

### Our Company Leadership Believes:

The Global Textile Market provides a continuous challenge for every stage of manufacturing. The MHSML diversified interests include product line catering different market segments.



## Album of MHSML



## Factory Highlights





## Factory Highlights



## Photographs of 14th AGM, 2019





## Photographs of 14th AGM, 2019



## The Board of Directors

### **Mrs. Rahima Hossain** Chairman

Mrs. Rahima Hossain wife of Al-Haj Md. Mozaffar Hossain is the Chairman of Mozaffar Hossain Spinning Mills Limited. Her father name is Mr. Abdur Rahman and mother name is Mrs. Saleha Khatun. She was born in Jamalpur, Bangladesh on 01-Apr-1960. She is related with SIM Fabrics Limited, SIM Apparels Limited and Authentic Color Limited as Chairman. She has travelled Malaysia, Saudi Arabia etc. She is engaged in various social activities like school, college, madrasa, and mosque. She is the president of Rahima Mozaffar Girls School & College.



### **Md. Mozaffar Hossain (MP)** Managing Director

Md. Mozaffar Hossain (MP) is the Founder of 'SIM GROUP' and Managing Director of Mozaffar Hossain Spinning Mills Limited. His father name is Late Saim Uddin and mother name is Mossammat Matabjan Begum. He was born in Jamalpur, Bangladesh on 01-Jan-1957. Currently he is the Member, of Parliament (142) from Jamalpur-5 As well he is Member standing committee on ministry of science and Technology Bangladesh Parliament Mr, Hossain is a Textile Engineer past BSC in Textile Technology. He has long around 33 year's business experience and started his own business in 1996 later on established woven fabrics weaving mills in 2001. During his successful career he implemented the following business enterprises: Authentic Color Limited, SIM Fabrics Limited, Mozaffar Hossain Spinning Mills Limited and SIM Apparels Limited. He has travelled UK, Switzerland, Germany, France, China, Korea, Pakistan, India, Malaysia, Saudi Arabia almost around the Globe. He is also engaged in various social activities like school, college, madrasa, and mosque. He is the Ex-President of Textile Engineer Association, Ex-Director of BTMA, President of Bangubandhu Textile Engineering Association, Vice President of Jamalpur Zilla Somity, Ex-Vice President of International Lion Club (Red Sun 315 B-3), Member of IEB, Baridhara Society, Greater Mymansingh Somity and Assistant Secretary of Bangladesh Awami League.

**Raisul Hasan**

Director

Raisul Hasan is serving as Director of Mozaffar Hossain Spinning Mills Limited from the very beginning of his career. His father name is Al-Haj Md. Mozaffar Hossain and mother name is Mrs. Rahima Hossain. He was born in Dhaka, Bangladesh on 06-May-1989. He is a Graduate from NSU; Bangladesh. He is a dynamic business personality. His acumen in business and flexible manner in terms of public relations made him a role model in developing the culture of the organization.



**A.S.M. Rakibul Hasan**

Nominee Director

A.S.M. Rakibul Hasan is currently serving as Nominee Directors of the Company. His father name is Al-Haj Md. Mozaffar Hossain and mother name is Mrs. Rahima Hossain. He was born in Jamalpur, Bangladesh on 31-Jan-1979. He had completed his MBA from North South University (N. S. U). He is serving the company from its incorporation and successfully running till now. He has with over 18 year's business experience. Mr. Hasan is responsible for financial & marketing section of the company. And he is the Director of SIM Fabrics Limited.

**Mr. Md. Sanwar Hossain**

Nominee Director

Mr. Md. Sanwar Hossain is the Nominee Director by SIM Fabrics Limited in Mozaffar Hossain Spinning Mills Limited born on December 31, 1975 in Bangladesh. He is a commerce graduate and taking care of Mozaffar Hossain Spinning Mills Limited from the very beginning of his career.





## Mozaffar Hossain Spinning Mills Limited



**Mr. Anwarul Hoque**  
Independent Director

Mr. Anwarul Hoque is an retired judge, serve the judicial of law Government of Bangladesh. He was an BCS cadre and serve the nation from 1983 to 2017. His wisdom experience , dedication towards the courts . Will help Mozaffar Hossain Spinning Mills Limited to get a new Director in the more efficient ethical business process.

**Mr. Md. Mijanur Rahman**  
Independent Director

Mr. Md. Mijanur Rahman is an advocate by profession currently serving at Bangladesh Supreme court. He has a long experience more than twenty year with very good track record



**Mr. Haris Alam**  
Company Secretary

Mr. Haris Alam is currently serving Mozaffar Hossain Spinning Mills Limited (MHSML) as Company Secretary. He had completed his ACCA Course from London school of Buisness & Finance (LSBF) London UK. He had also obtained MBA & BBA (Finance & Accounting) from North South University. He had a long experience at financial control, financial arrangement at backward linkage industry.



# Message from the Chairman

## Distinguished Shareholders

On behalf of the Board of Directors, I welcome you all and take immense pleasure and delight in addressing the 15<sup>th</sup> Annual General Meeting of the company. I also want to thank you the honourable shareholders for joining us to make the event successful.

With pleasure I present the Report of the Board of Directors, The Audited Statements of Financial Position, Statement of Profit or Loss & Other Comprehensive Income and other Financial Statements of the company for the year 30 June, 2020. It gives me immense pleasure that we get the opportunity to meet with all of you, discuss on the performance of the concerned year of the company and sharing the views of each other's, I assumed that to the changed situation more obligations has been created on us on behalf of the valued shareholder in respect of last AGM and to offer them assurance of our sincerity in maintaining operational results up to their expectations at present as well as in future.

As we discuss the financial year in review the western world mainly EU and USA is yet to overcome the financial recession, the world economy is also struggling hard to rehabilitate and revive financially. As a part of our revenue is generated from Exporting of yarn, it is due to these factors we faced difficulties in marketing our product on regular basis. Domestically the incessant weather, political instability created hindrance in our business. In spite of various limitations and hindrances as well as political unrest, the company had its successful year in 2020. This could not be possible without your continuous support conscious suggestion, Boards prudent strategic decision and management's successful execution for the same with passion and zeal. Thanks to all of you.

I on behalf of the Board would like to express my sincere thanks to the respected shareholders for the confidence respond on the Board of the company throughout the year. I am also grateful to the Bangladesh Securities and Exchange Commission, Dhaka Stock Exchange Limited, Chittagong Stock Exchange Limited, Registrar of Joint Stock Companies & Firms, Central Depository Bangladesh Limited, Banks and Financial Institutions for their support and patronage extended to the company from time to time.

I embrace your support and seek your co-operation by all means for a brighter future for all

Thanking you.

Regards



**Mrs. Rahima Hossain**  
Chairman

# BOARD OF DIRECTORS AND MANAGEMENT OF THE COMPANY

## Board of Directors

Mrs. Rahima Hossain	Chairman
Md.Mozaffar Hossain	Managing Director
Raisul Hasan	Director
A.S.M. Rakibul Hasan	Nominee Director
Mr.Md. Sanwar Hossain	Nominee Director
Mr. Anwarul Hoque	Independent Director
Mr. Md. Mijanur Rahman	Independent Director

## Audit Committee

Mr. Anwarul Hoque Independent Director	Chairman
Md.Mozaffar Hossain Managing Director	Member
Raisul Hasan Director	Member
Haris Alam Company Secretary	Member Secretary

## Nomination and Remuneration Committee

Mr. Anwarul Hoque Independent Director	Chairman
Md.Mozaffar Hossain Managing Director	Member
Raisul Hasan Director	Member
Haris Alam Company Secretary	Member Secretary

# Management Team

Sl.	Name	Designation	Department
1.	Md. Mozaffar Hossain	Managing Director	
2	Md. Kamrul Hossain	Director Technical	Operation
3.	Haris Alam	Company Secretary	Board Secretariat
4.	Biplob Kumar Mondol	Chief Financial Officer	Accounts & Finance
5.	Md. Atiqur Rahman Bhuiyan, FCMA	Head of Internal Audit	Audit
6.	Md. Tafiqul Islam	Deputy General Manager	Planning & Commercial
7.	Muhammad Ilyas	In-Charge	Share Division
8.	Kuddus Ali.	Manager	Audit
9.	Md. Sahal Hossain	Manager	Procurement
10.	Mohammad Didarul Alam	Assist. Manager	Accounts & Finance
11.	Subrata Sen	Accounts Officer	Accounts & Finance
<b>Owner's Representative</b>			
Mr. Md. Ayenul Hoque		Director (Operation)	Operation

## Pattern of Shareholding and No. of Shareholding as on 30 June 2020

Share Holding Range	Number of Share Holders	No. of Share	Percentage of Share Holding
1 to 500	1334	229,798	0.22%
501 to 5,000	2804	4,111,286	4.07%
5,001 to 10,000	406	2,875,894	2.84%
10,001 to 20,000	285	4,101,644	4.06%
20,001 to 30,000	102	2,496,918	2.47%
30,001 to 40,000	67	2,350,623	2.32%
40,001 to 50,000	45	2,062,626	2.05%
50,001 to 100,000	77	5,393,442	5.34%
100,001 to 1,000,000	70	17,495,165	17.33%
1,000,001 to Above	08	59,875,978	59.30%
<b>Total</b>	<b>5198</b>	<b>100,993,374</b>	<b>100.00%</b>

## Mozaffar Hossain Spinning Mills Limited

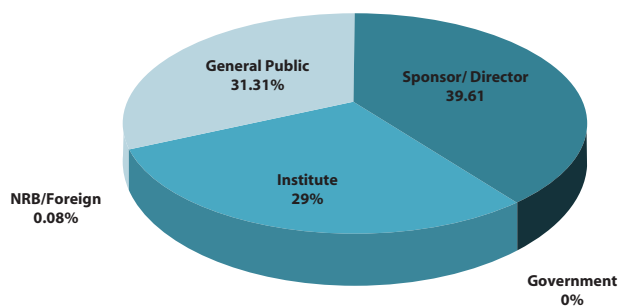
### Top 10 (Ten) Shareholders as on 30 June 2020

SI No	Name Shareholders	No. of Shares Held	% of Holding
1	SIM FABRICS LTD.	33,300,736	32.97%
2	ICB	13,208,301	13.07%
3	INVESTMENT CORP. OF BANGLADESH	3,144,806	3.11%
4	ICB BOND	2,625,366	2.60%
5	RAISUL HASAN	2,246,990	2.22%
6	RAHIMA HOSSAIN	2,188,389	2.16%
7	MD. MOZAFFAR HOSSAIN	2,036,840	2.01%
8	FAREAST STOCKS & BONDS LTD	1,124,550	1.11%
9	FAREAST STOCKS & INVEST	799,680	0.79%
10	AGRANI EQUITY & INVEST .LTD	725,748	0.72%
<b>Total</b>		<b>61401406</b>	<b>60.75%</b>

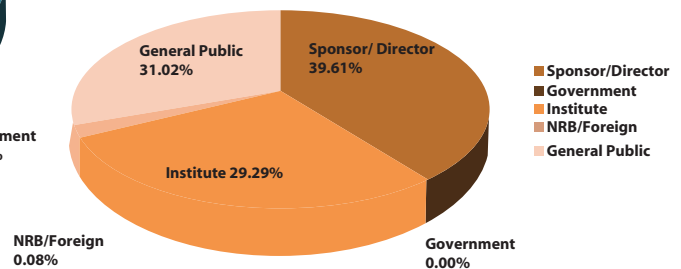
### Shareholding Composition as on 30 June 2020

SI No	Shareholders Group	2020		2019	
		No. of Share	Percentage (%)	No. of Share	Percentage (%)
1	Sponsor/Director	40,000,077	39.61%	39,215,764	39.61%
2	Government	-	-	-	-
3	Institute	29,337,975	29.05%	29,003,509	29.29%
4	NRB/Foreign	86,567	00.08%	83,115	00.08%
5	General Public	31,568,755	31.26%	30,710,724	31.02%
<b>Total</b>		<b>100,993,374</b>	<b>100.00%</b>	<b>99,013,112</b>	<b>100.00%</b>

### Shareholding Composition 2020



### Shareholding Composition 2019





# Directors' Report

Dear Shareholders,

Assalamualaikum,

On behalf of the Board of Directors of Mozaaffar Hossain Spinning Mills Limited and on my own behalf I welcome you all to 15th Annual General Meeting. The Board of Directors is pleased to take the opportunity to present you the Audited Financial Statements of the Company for the FY 2019-2020, Auditors' Report and the Directors' Report thereon along with Company's performance and other matters in terms of Companies Act, 1994, Listing regulation of DSE and CSE, the guideline issued by Bangladesh Securities and Exchanges Commission (BSEC) and International Accounting Standards and other applicable rules & regulations.

## BACKGROUND

Mozaffar Hossain Spinning Mills Limited (here in after referred to as "MHSML" or "the Company" was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-59784(1791)/05 dated November 29, 2005 as a Private Limited Company by shares namely Mozaffar Hossain Textile Mills Limited. Subsequently the company renamed as Mozaffar Hossain Spinning Mills Limited in December 14, 2011 and the company was emerged as a Public Limited Company on the same date and year. The Authorized capital of the company is Tk. 3,000,000,000 (Three Hundred Crore only) and paid up capital 1,009,933,740 (One Hundred Crore Ninety Nine Lac Thirty Three Thousand & Seven Hundred Forty only). The company was listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited in the month of January 2014.

## REVENUE

As you are aware that the company is a manufacturer of 100% export oriented woven fabrics cotton yarns, the sale proceeds from yarn stood at 67.46 crore. Due to construction and installation of 36000 Spindle Ring Spinning project daily production hampered in existing rotor unit seriously, and possible revenue comes less than previous year, also the last financial years the textile sector went through the toughest time in recent era both domestically and internationally with the ongoing world recession still continuing and incessant political instability hindering our regular business affairs. Yet the efficient and prudent management of process control has enabled the company to avoid financial catastrophe and earn substantial profit instead.

The operating financial results of the Company for the year 2019-2020 as compared to previous year are summarized hereunder:

Particulars	2019-2020	2018-2019
Turnover	283,548,166	352,279,010
Gross profit	(15,898,135)	15,112,891
Financial Expenses	82,503,364	93,581,443
Other Income	(158,379)	362,510
Net profit Before Tax(NPBT)	(131,788,620)	(99,121,889)
Provision for Taxation	(11,951,223)	(3,504,035)
Net Profit After Tax (NPAT)	(119,837,397)	(95,617,854)
Gross Margin (Turnover)	(5.61)%	4.29%
Net Margin Before Tax	(46.48)%	(28.14)%
Net Margin After Tax	(42.26)%	(27.14)%
Earnings Per Share (EPS) BTD.	(1.19)	(0.95)
Number of Shares Used to Computer EPS	100,993,374	99,013,112

## Industry outlook and possible future developments in the industry

The company works as a Primary Textile Sector (PTS) for the Export Oriented Garments Industries. Mozaffar Hossain Spinning Mills Limited produces the 100% export oriented woven fabrics cotton yarn and delivers to the Garments Industries. The company has been operated in the market for long with reputation and commitment. Having long experience in yarn marketing we are confident of this value added yarn and believe that we can hold our reputation as a quality yarn supplier.

With the inception of the company has become one of the very few spinning mills in Bangladesh where the garments manufacturer can really rely for various types of yarns. We believe this will add great value to the company in the coming days.

## Mozaffar Hossain Spinning Mills Limited

### Segment Reporting

Company operates in single product segment.

### Risk and concerns

Mozaffar Hossain Spinning Mills Limited being a yarn manufacturer and catering as the backward linkage industry its risk is always associated with the global supply and demand chain. Any economic downturn in the western world has a direct impact on the business. With the demand increasing from the emerging countries of Bangladesh has become a market which is very vibrant and growing every day.

Moreover, risks and concern of the industry solely depends on the upcoming Government policy as well. However, garments being the major foreign currency earner have always enjoyed special consideration from all the successive Governments and expectation is that it will continue in the future.

### A discussion on cost of goods sold, gross margin and net profit margin

Profit from Operation	30 June 2020		30 June 2019	
	Amount	Percentage	Amount	Percentage
Turnover	283,548,166	100%	352,279,010	100%
Cost of Goods Sold	299,446,301	105.60%	337,166,119	95.71%
Gross Profit	(15,898,135)	(5.61)%	15,112,891	4.29%
Net profit for the year	(119,837,397)	(42.26)%	(95,617,854)	(27.14)%

### Discussion on Continuity of extraordinary gain or loss

Extraordinary gains or losses refer to infrequent and unusual gain or loss and which is not part of the Company's ordinary/day to day operations. As for the Company, there was no such gain or loss during the year under reporting.

### Related party transactions

The company has transactions with its mother company which have been disclosed in related party transaction in page no. 63 of the annual report.

### Significant variance of financial statements

There is no significant variance in the financial statements during the year ended on 30th June 2020.

### Compliance of Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 30 June 2018

#### 1.1 Board Size:

The number of members of the Board of Directors stands at 07 (including Two Independent Directors) which are within the limits given by BSEC.

#### Independent Directors

Md. Anwarul Hoque & Md. Mijanur Rahman as an Independent Director of the company on 30 October 2019 subject to approval of shareholders in 14th Annual General Meeting of the company

#### Qualification of New Independence Director:

01.Mr.Anwarul Hoque is an retired judge, serve the judicial of law Government of Bangladesh. He was an BCS cadre and serve the nation from 1983 to 2017 .His wisdom experience , dedication towards the courts . He will help Mozaffar Hossain Spinning Mills Limited to get a new Director in the more efficient ethical business process.

02. Mr. Md. Mijanur Rahman is an advocate by profession currently serving at Bangladesh Supreme court. He has a long experience more than twenty year with very good track record.

### 2.0 Company Secretary, Chief Financial Officer, Head of Internal Audit

As per corporate governance of BSEC, the company has allocated the responsibilities as follows:

Company Secretary	: Haris Alam
Chief Financial Officer	: Biplob Kumar Mondol
Head of Internal Audit	: Md. Atiqur Rahman Bhuiyan, FCMA

### **3.0 Audit Committee**

The Audit Committee, as a sub-committee of the Board of Director has been constituted with the Independence Director as Chairman and two other Directors. The company Secretary acts as Secretary to the Audit Committee. This committee assists the Board in ensuring that the financial statements reflect true and fair view of the state of affairs of the company. Audit committee is responsible to the Board of Directors and its roles and responsibilities are clearly set forth. The role of the Audit Committee has been started in the annual audit committee report..

### **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee, as a sub-committee of the Board of Director has been constituted with three board of directors with one Independent director as a chairman. The company Secretary acts as Secretary to the Committee. The Nomination and Remuneration Committee assists the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive of the company. NRC is responsible to the Boar of Directors and its roles and responsibilities are clearly set forth. Since the corporate governance code has been adopted on 03 June, 2018, we have been taking necessary steps to comply with.

### **External Statutory Auditors**

The BSEC guidelines are being strictly followed in engaging statutory Auditors for the Company.

### **Maintaining a website**

The company has been maintaining an official website [www.simgroup-bd.com](http://www.simgroup-bd.com) which is linked with the website of the stock exchange.

### **Subsidiary Company**

The company hold 30% share of "Suntech Energy Limited"

### **Duties of CEO & CFO**

The provision of BSEC regulations has been complied in the Annual Report.

### **Directors' Appointment and Re-Appointment**

With regard to the appointment, retirement and re-appointment of directors, the company is governed by its Articles of Association, the Companies Act. 1994 and other related legislations. Accordingly, the following Directors of the Board will retire at the annual general meeting:

1. A.S.M Rakibul Hasan
2. Md. Sanwar Hossain

## Mozaffar Hossain Spinning Mills Limited

### Share holding pattern

The share holding of directors at the end of 30th June 2020 is shown as below:

Name of the shareholders	Status(Sponsor/promoter/Director/Sponsor Director/Nominated Director/Independent Director/Depositor Director.	Shares Held	%
01.Sim Fabrics Limited	Nominees A.S.M Rakibul Hasan & Md. Sanwar Hossain.	32,647,781	32.97%
02.Mrs. Rahima Hossain	Chairman	2,145,480	2.17%
03.Md. Mozaffar Hossain	Managing Director	1,996,902	2.02%
04.Raisul Hasan	Director	2,202,932	2.22%
05.A.S.M Rakibul Hasan	Nominee Director	222,669	0.22%
06. Mr.Anwarul Hoque	Independent Director	Nil	-
07. Mr. Md. Mijanur Rahman	Independent Director	Nil	-
<b>Managing Director, Company Secretary, Chief Financial Officer, Head of Internal Audit and their Spouse and Children:</b>			
Md. Mozaffar Hossain	Managing Director, his Spouse and Children.	2,145,480	2.17%
Mrs. Rahima Hossain		1,996,902	2.02%
Raisul Hasan		2,202,932	2.22%
A.S.M Rakibul Hasan		222,669	0.22%
Haris Alam	Company Secretary	Nil	-
Biplob Kumar Mondol	Chief Financial Officer	Nil	-
Md. Atiqur Rahman Bhuiyan (FCMA)	Head of Internal Audit	Nil	-
Executives:	-	Nil	-
Shareholders holding 10% or more.	SIM Fabrics Limited	32,647,781	32.97%
	ICB (Institution)	12,949,315	13.08%

### Board Meeting and Attendance

During the year 10 (ten) Board Meetings were held. The attendance record of the directors is as given Belo

Name of Directors	Attendance
Mrs. Rahima Hossain	10
Md. Mozaffar Hossain	09
Raisul Hasan	10
ASM Rakibul Hasan	09
Md. Sanwar Hossain	08
Mr. Anwarul Hoque	09
Mr. Md. Mijanur Rahman	09

### Director's remuneration

Director's remuneration is shown in the page no. 60 of the notes to the Financial Statements.

### Directors Responsibilities for the Financial Statements

In accordance with the Bangladesh Securities and Exchange Commission Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June, 2018 the Directors are pleased to confirm the following:

01. The financial statements together with notes thereon have been drawn up in conformity with the Companies Act, 1994 and Bangladesh Securities and Exchange Rules 1987. These statements present fairly the companies state of affairs, the result of its operations, cash flow and changes in equity.
  - (a) Proper books and accounts of the company have been maintained.
  - (b) Appropriate accounting policies have been applied consistently in preparation of the financial statements and the accounting estimates are based on reason able and prudent judgment.
  - (c) The International Accounting Standards, (IAS) / International Financial Reporting Standards (IFRS) as applicable in Bangladesh, have been followed in the preparation of the financial statements.
  - (d) The systems of internal control are sound and have been implemented and monitored effectively.
  - (e) The key operating and financial data for the last five years are shown on page 6.
  - (f) The pattern of shareholding is provided in Annexure-II of the annual report.

No partner or employees of the external audit firm possess any share of the company.



## **Mozaffar Hossain Spinning Mills Limited**

### **Internal Control**

The Board has ultimate responsibilities to establish the effective system of internal control. To ensure internal control regarding risk management, financial control and compliance legislation, the company already has a strong internal audit department to ensure internal control and compliance in place.

### **Going Concern**

While approving the financial statements, the directors have made appropriate enquiries and analyzed the significant financial, operating as well as other indicators for enabling them to understand the ability of the company to continue its operation for a foreseeable period. Directors are convinced and have a reasonable expectation that the company has adequate resource to continue its operation consistently for the foreseeable future. Therefore the company adopted the going concern basis in preparing the financial statements.

### **Significant deviation of Operating Result**

There is no significant deviation from the last year's operating result of the company.

### **Deviation from last year Result**

Expansion project of 36,000 Spindle ring spinning mills are under construction. You are informed that under BMRE, (Ring) construction works of Mozaffar Hossain Spinning Mills Limited are ongoing and shipment of all machinery is already done. It is needed to re-structure utility as well modification is needed at the existing unit to prepare the site for installation setup of the machinery. As such, our management had decided to make a partial shutdown (50% of the capacity) for the time being and effect from May 6, 2018. Such a result expected production and revenue has fall down.

### **Dividend**

The Board of Directors has recommended 1% cash dividend to all general public shareholders other than Sponsor/Director for the year ended June 30, 2020 (subject to the approval in the forthcoming AGM) whose names will appear in the share register of the company and/or depository register of CDBL as on record date i.e. 26th November, 2020.

### **Statutory Auditors**

The Auditors of the Company, Rahman Mostafa Alam & Co. Chartered Accountants, House #195, New DOHS, Road#1 (3rd Floor, C-3), Mohakhali, Dhaka-1206. has carried out the audit of the company for the year ended 30 June 2020. They were appointed as Statutory Auditor in 14th AGM. As per regulation 15(2)&(3) of DSE and CSE (Listing) regulations, 2015.

### **Acknowledgment**

I take this opportunity, on behalf of the Board of Directors, to express my heartfelt gratitude to all of our valued clients, shareholders and well-wishers home and abroad for their wholehearted co-operation and active support in discharging the responsibilities reposed on me and the Board during the year under review.

I also thank Registrar of Joint Stock Companies (RJSC), Bangladesh Securities and Exchange Commission (BSEC), Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), Government and Private sector Organization and many others for their sincere support and whole hearted co-operation to our company.

I, on behalf of the Board, also put on record my deep appreciation for the services and loyalty of the executives, officers and employees of the company at all levels without which we could not have achieved this result.

Thanks are also due to all directors, all executives, officers, staff and workers of the company for their excellent, sincere, dedicated efforts in achieving company's target during the year under review.

To ensure financial security we always welcome your suggestions and opinion to improve present and future services of the company.

I now appeal to the magnanimity of valued shareholders to kindly accept and approve the Auditors' Report, Annual Audited Accounts 2019-2020 and Directors' Report placed before you.

Thanking you,

On behalf of the Board of Directors,



**Mrs. Rahima Hossain**  
Chairman

## Mozaffar Hossain Spinning Mills Limited CEO & CFO'S DECLARATION

Annexure- A

[As per condition No. 1(5)(xxvi)]

25 November 2020

The Board of Directors  
Mozaffar Hossain Spinning Mills Limited.  
H# 315, R#04; DOHS, Baridhara  
Dhaka- 1206.

**Subject: Declaration on Financial Statement for the year ended on 30 June 2020**

Dear Sir,

Pursuant to the condition No. 1(5)(xxvi) imposed vide the Commission's Notification No. BSEC/CMRRCD/2006-158/207/Admin/80 Dated 3 June 2018 under section 2CC of the Securities and Exchange Ordinance, 1969, we do hereby declare that

- (1) The Financial Statements of Mozaffar Hossain Spinning Mills Ltd. for the year ended on 30 June 2020 have been prepared in compliance with International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in the Bangladesh and any departure there from has been adequately disclosed;
- (2) The estimates and judgments related to the financial statements were made on a prudent and reasonable basis, in order for the financial statements to reveal a true and fair view;
- (3) The form and substance of transactions and the Company's state of affairs have been reasonably and fairly presented in its financial statements;
- (4) To ensure above, the Company has taken proper and adequate care in installing a system of internal control and maintenance of accounting records;
- (5) Our internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed; and
- (6) The management's use of the going concern basis of accounting in preparing the financial statements is appropriate and there exists no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

**In this regard, we also certify that: --**

- (i) We have reviewed the financial statements for the year ended on 30 June 2020 and that to the best of our knowledge and belief:
  - (a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (b) these statements collectively present true and fair view of the Company's affairs and are in compliance with existing accounting standards and applicable laws.
- (ii) There are, to the best of knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board of Directors or its members.

Sincerely yours,



**(Md. Mozaffar Hossain)**  
Managing Director



**Biplob Kumar Mondol**  
Financial Officer (CFO)

## Certificate





**REPORT TO THE SHAREHOLDERS OF  
MOZAFFAR HOSSAIN SPINNING MILLS LIMITED  
ON  
COMPLIANCE OF CORPORATE GOVERNANCE CODE**

We have examined the compliance status to the Corporate Governance Code by **MOZAFFAR HOSSAIN SPINNING MILLS LIMITED** for the year ended on 30 June 2020. This Code relates to the Notification No BSEC/CMRRCD/2006158/207/Admin/80, dated 03 June 2018 of the Bangladesh Securities and Exchange Commission.

Such compliance with the Corporate Governance Code is the responsibility of the Company. Our examination was limited to the procedures and implementation thereof as adopted by the Management in ensuring compliance to the conditions of the Corporate Governance Code.

This is a scrutiny and verification and an independent audit on compliance of the conditions of the Corporate Governance Code as well as the provisions of relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Corporate Governance Code.

We state that we have obtained all the information and explanations which we have required, and after due scrutiny and verification thereof we report that in our opinion:

- (a) The Company has complied with the conditions of the Corporate Governance Code as stipulated in the abovementioned Corporate Governance Code issued by the Commission.
- (b) The Company has complied with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) as required by this Code.
- (c) Proper books and records have been kept by the company as required under the Companies Act, 1994, the securities laws and other relevant laws and
- (d) The Governance of the company is satisfactory.

Date: Dhaka  
22 November 2020

**Mohammad Ata Karim & Co.**  
Chartered Accountants

## Mozaffar Hossain Spinning Mills Limited

### Status of Compliance with the Corporate Governance Code (CGC)

"Status of compliance with the conditions imposed by the Commission's Notification No.BSEC/CMRRCD/2006-158/207/Admin/80 dated 03 June 2018 issued under section 2CC of the Securities and Exchange Ordinance, 1969:"

#### (Report under Condition No. 9)

Condition No.	Title	Compliance Status (Put $\checkmark$ in the appropriate column)		Remarks (If any)
		Complied	Non-Complied	
<b>1</b>	<b>Board of Directors</b>			
<b>1(1)</b>	<b>Size of the Board of Directors</b>			
	The total number of the board members of the company shall not be less than 5 (five) and more than 20 (twenty)	$\checkmark$	-	-
<b>1(2)</b>	<b>Independent Directors</b>			
1(2)(a)	At least one fifth (1/5) of the total number of directors in the company's board shall be independent directors.	$\checkmark$	-	
1(2)(b)	<b>For the purpose of this clause 'independent director' means a director-</b>			
1(2)(b)(i)	Who either does not hold any share in the company or holds less than one percent (1%) shares of the total paid-up shares of the company;	$\checkmark$		
1(2)(b)(ii)	who is not a sponsor of the company or is not connected with the company's any sponsor or director or nominated director or shareholder of the company or any of its associates, sister concerns, subsidiaries and parents or holding entities who holds one percent (1%) or more shares of the total paid-up shares of the company on the basis of family relationship and his or her family members shall not hold above mentioned shares in the company;	$\checkmark$	-	-
1(2)(b)(iii)	who has not been an executive of the company in immediately preceding 2 (two) financial years;	$\checkmark$	-	-
1(2)(b)(iv)	who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary or associated companies;	$\checkmark$	-	-
1(2)(b)(v)	who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange;	$\checkmark$	-	-
1(2)(b)(vi)	who is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market;	$\checkmark$	-	-
1(2)(b)(vii)	who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm or audit firm engaged in internal audit services or audit firm conducting special audit or professional certifying compliance of this Code;	$\checkmark$	-	-
1(2)(b)(viii)	who is not independent director in more than 5 (five) listed companies;	$\checkmark$	-	-
1(2)(b)(iv)	who does not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary or associated companies;	$\checkmark$	-	-
1(2)(b)(v)	who is not a member or TREC (Trading Right Entitlement Certificate) holder, director or officer of any stock exchange;	$\checkmark$	-	-



Condition No.	Title	Complied	Not Complied	Remarks (If any)
1(2)(b)(vi)	who is not a shareholder, director excepting independent director or officer of any member or TREC holder of stock exchange or an intermediary of the capital market;	√	-	-
1(2)(b)(vii)	who is not a partner or an executive or was not a partner or an executive during the preceding 3 (three) years of the concerned company's statutory audit firm or audit firm engaged in internal audit services or audit firm conducting special audit or professional certifying compliance of this Code;	√	-	-
1(2)(b)(viii)	who is not independent director in more than 5 (five) listed companies;	√	-	-
1(2)(b)(ix)	who has not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan or any advance to a bank or a Non-Bank Financial Institution (NBFI);	√	-	-
1(2)(b)(x)	who has not been convicted for a criminal offence involving moral turpitude;	√	-	-
1(2)(c)	The independent director(s) shall be appointed by the Board and approved by the shareholders in the Annual General Meeting (AGM);	√	-	-
1(2)(d)	The post of independent director cannot remain vacant for more than 90 (ninety) days;	√	-	No Such event occurred
1(2)(e)	The tenure of office of an independent director shall be for a period of 3 (three) years, which may be extended for 1 (one) tenure only.	√	-	-
<b>1(3)</b>	<b>Qualification of Independent Director(ID)</b>			
1(3)(a)	Independent Director shall be a knowledgeable individual with integrity who is able to ensure compliance with financial laws, regulatory requirements and corporate laws and can make meaningful contribution to business;	√	-	-
<b>1(3)(b)</b>	<b>Independent Director shall have following qualifications</b>			
1(3)(b)(i)	Business leader who is or was a promoter or director of an unlisted company having minimum paid up capital of Tk. 100.00 million or any listed company or a member of any national or international chamber of commerce or business association; or		-	N/A
1(3)(b)(ii)	Corporate leader who is or was a top level executive not lower than Chief Executive Officer or Managing Director or Deputy Managing Director or Chief Financial Officer or Head of Finance or Accounts or Company Secretary or Head of Internal Audit and Compliance or Head of Legal Service or a candidate with equivalent position of an unlisted company having minimum paid up capital of Tk. 100.00 million or of a listed company;		-	N/A
1(3)(b)(iii)	Former official of government or statutory or autonomous or regulatory body in the position not below 5th Grade of the national pay scale, who has at least educational background of bachelor degree in economics or commerce or business or law;		-	N/A



Condition No.	Title	Complied	Not Complied	Remarks (If any)
1(3)(b)(iv)	University Teacher who has educational background in Economics or Commerce or Business Studies or Law;		-	N/A
1(3)(b)(v)	Professional who is or was an advocate practicing at least in the High Court Division of Bangladesh Supreme Court or a Chartered Accountant or Cost and Management Accountant or Chartered Financial Analyst or Chartered Certified Accountant or Certified Public Accountant or Chartered Management Accountant or Chartered Secretary or equivalent qualification;	√	-	-
1(3)(c)	The independent director shall have at least 10 (ten) years of experiences in any field mentioned in clause (b);	√	-	-
1(3)(d)	In special cases, the above qualifications may be relaxed subject to prior approval of the Commission;			No such issue arose
<b>1(4)</b>	<b>Duality of Chairperson of the Board of Directors and Managing Director or Chief Executive Officer</b>			
1(4)(a)	The positions of the Chairperson of the Board and the Managing Director and/ or Chief Executive Officer (CEO) of the company shall be filled by different individuals;	√	-	-
1(4)(b)	The Managing Director (MD) and/ or Chief Executive Officer (CEO) of a listed company shall not hold the same position in another listed company;	√	-	-
1(4)(c)	The Chairperson of the Board shall be elected from among the non-executive directors of the company;	√	-	-
1(4)(d)	The Board shall clearly define respective roles and responsibilities of the chairperson and the Managing Director and/ or Chief Executive Officer;	√	-	-
1(4)(e)	In the absence of the chairperson of the Board, the remaining members may elect one of themselves from non-executive directors as Chairperson for that particular Board's meeting; the reason of absence of the regular Chairperson shall be duly recorded in the minutes.	√	-	-
<b>1(5)</b>	<b>The Directors' Report to Shareholders:</b>			
	The Board of the company shall include the following additional statements or disclosures in the Directors' Report prepared under section 184 of the companies Act, 1994 (Act No. XVIII of 1994):-	√	-	-
1(5)(i)	An industry outlook and possible future developments in the industry;	√	-	-
1(5)(ii)	The Segment-wise or product-wise performance;			
1(5)(iii)	Risks and concerns including internal and external risk factors, threat to sustainability and negative impact on environment, if any;	√	-	-
1(5)(iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin;	√	-	-
1(5)(v)	A discussion on continuity of any Extra-Ordinary activities and their implications (gain or loss);	-		No such issue arose
1(5)(vi)	A detailed discussion on related party transactions along with a statement showing amount, nature of related party, nature of transactions and basis of transactions of all related party transactions;	√	-	-

Condition No.	Title	Complied	Not Complied	Remarks (If any)
1(5)(vii)	A statement of utilization of proceeds raised through public issues, rights issues and/or any other instruments;	-	-	N/A
1(5)(viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Share Offer, Direct Listing, etc;	√		No such issue arose
1(5)(ix)	An explanation on any significant variance that occurs between Quarterly Financial performance and Annual Financial statements;	-	-	No such matter to explain
1(5)(x)	A statement of remuneration paid to the directors including independent directors	√	-	-
1(5)(xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the result of its operations, cash flows and changes in equity;	√	-	-
1(5)(xii)	Proper books of account of the issuer company have been maintained;	√	-	-
1(5)(xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment;	√	-	-
1(5)(xiv)	International Accounting Standards (IAS) or International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in preparation of the financial statements and any departure there from has been adequately disclosed;	√	-	-
1(5)(xv)	The system of internal control is sound in design and has been effectively implemented and monitored;	√	-	-
1(5)(xvi)	Minority shareholders have been protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly and have effective means of redress;	√	-	-
1(5)(xvii)	There is no significant doubt upon the issuer company's ability to continue as a going concern, if the issuer company is not considered to be a going concern, the fact along with reasons there of shall be disclosed;	√	-	-
1(5)(xviii)	An explanation that significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof shall be explained;		-	Explanted the financial report.
1(5)(xix)	Key operating and financial data of at least preceding 5 (five) years shall be summarized;	√	-	-
1(5)(xx)	An explanation on the reasons if the issuer company has not declared dividend (cash or stock) for the year;			The Board has declared dividend
1(5)(xxi)	Board's statement to the effect that no bonus share or stock dividend has been or shall be declared as interim dividend;	√	-	-
1(5)(xxii)	The total number of Board meetings held during the year and attendance by each director;	√	-	-
<b>1(5)(xxiii)</b>	<b>A report on the pattern of shareholding disclosing the aggregate number of shares (along with name-wise details where stated below) held by:-</b>			
1(5)(xxiii)(a)	Parent Subsidiary/Associated Companies and other related parties (name-wise details);	√	-	-

**Mozaffar Hossain Spinning Mills Limited**

Condition No.	Title	Complied	Not Complied	Remarks (If any)
1(5)(xxiii)(b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and Compliance and their spouses and minor children (name-wise details);	√	-	-
1(5)(xxiii)(c)	Executives;	√	-	-
1(5)(xxiii)(d)	Shareholders holding ten percent (10%) or more voting interest in the company (name-wise details);	√	-	-
1(5)(xxiv)	<b>In case of the appointment/re-appointment of a director the company shall disclose the following information to the shareholders:</b>			
1(5)(xxiv)(a)	A brief resume of the director	√	-	-
1(5)(xxiv)(b)	Nature of his or her expertise in specific functional areas;	√	-	-
1(5)(xxiv)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the Board;	√	-	-
1(5)(xxv)	<b>A Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:</b>			
1(5)(xxv)(a)	Accounting policies and estimation for preparation of financial statements;	√	-	-
1(5)(xxv)(b)	Changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes;	√	-	-
1(5)(xxiv)(c)	Names of companies in which the person also holds the directorship and the membership of committees of the Board;	√	-	-
1(5)(xxv)	Management's Discussion and Analysis signed by CEO or MD presenting detailed analysis of the company's position and operations along with a brief discussion of changes in the financial statements, among others, focusing on:	√	-	-
1(5)(xxv)(a)	accounting policies and estimation for preparation of financial statements;	√	-	-
1(5)(xxv)(b)	changes in accounting policies and estimation, if any, clearly describing the effect on financial performance or results and financial position as well as cash flows in absolute figure for such changes;	√	-	-
1(5)(xxv)(c)	comparative analysis (including effects of inflation) of financial performance or results and financial position as well as cash flows for current financial year with immediate preceding five years explaining reasons thereof;	√	-	-
1(5)(xxv)(d)	compare such financial performance or results and financial position as well as cash flows with the peer industry scenario;	√	-	-
1(5)(xxv)(e)	The financial and economic scenario of the country and the globe;	√	-	-
1(5)(xxv)(f)	Risks and concerns issues related to the financial statements, explaining such risk and concerns mitigation plan of the company;	√	-	-

Condition No.	Title	Complied	Not Complied	Remarks (If any)
1(5)(xxv)(g)	Future plan or projection or forecast for company's operation, performance and financial position, with justification thereof, i.e., actual position shall be explained to the shareholders in the next AGM;	√	-	-
1(5)(xxvi)	Declaration or certification by the CEO and the CFO to the Board as required under condition No. 3(3) shall be disclosed as per Annexure-A;	√	-	-
1(5)(xxvii)	The report as well as certificate regarding compliance of conditions of this Code as required under condition No. 9 shall be disclosed as per Annexure-B and Annexure-C.	√	-	-
<b>1(6)</b>	<b>Meetings of the Board of Directors</b>			
	The company shall conduct its Board meetings and record the minutes of the meetings as well as keep required books and records in line with the provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB)	√	-	-
<b>1(7)</b>	<b>Code of Conduct for the Chairperson, other Board members and Chief Executive Officer</b>			
1(7)(a)	The Board shall lay down a code of conduct, based on the recommendation of the Nomination and Remuneration Committee (NRC) at condition No. 6, for the Chairperson of the Board, other board members and Chief Executive Officer of the company;	√	-	-
1(7)(b)	The code of conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behavior; confidentiality; conflict of interest; compliance with laws, rules and regulations; prohibition of insider trading; relationship with environment, employees, customers and suppliers; and independency.	√	-	-
1(7)(b)	The code of conduct as determined by the NRC shall be posted on the website of the company including, among others, prudent conduct and behavior; confidentiality; conflict of interest; compliance with laws, rules and regulations; prohibition of insider trading; relationship with environment, employees, customers and suppliers; and independency.	√	-	-
<b>2</b>	<b>Governance of Board of Directors of Subsidiary Company</b>			
2(a)	Provisions relating to the composition of the Board of the holding company shall be made applicable to the composition of the Board of the subsidiary company;	N/A	-	No Subsidiary Company
2(b)	At least 1 (one) independent director on the Board of the holding company shall be a director on the Board of the subsidiary company;	N/A	-	No Subsidiary Company
2(c)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company;	N/A	-	No Subsidiary Company
2(d)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also;	N/A	-	No Subsidiary Company



Condition No.	Title	Complied	Not Complied	Remarks (If any)
2(e)	The Audit Committee of the holding company shall also review the financial statements, in particular the investments made by the subsidiary company.	N/A	-	No Subsidiary Company
<b>3</b>	<b>Managing Director (MD) or Chief Executive Officer (CEO), Chief Financial Officer (CFO), Head of Internal Audit and Compliance (HIAC) and Company Secretary (CS).-</b>			
<b>3(1)</b>	<b>Appointment</b>			
3(1)(a)	The Board shall appoint a Managing Director (MD) or Chief Executive Officer (CEO), a Company Secretary (CS), a Chief Financial Officer (CFO) and a Head of Internal Audit and Compliance (HIAC);	√	-	-
3(1)(b)	The positions of the Managing Director (MD) or Chief Executive Officer (CEO), Company Secretary (CS), Chief Financial Officer (CFO) and Head of Internal Audit and Compliance (HIAC) shall be filled by different individuals;	√	-	-
3(1)(c)	The MD or CEO, CS, CFO and HIAC of a listed company shall not hold any executive position in any other company at the same time;	√	-	-
3(1)(d)	The Board shall clearly define respective roles, responsibilities and duties of the CFO, the HIAC and the CS;	√	-	-
3(1)(e)	The MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and stock exchange(s).	√	-	-
<b>3(2)</b>	<b>Requirement to attend Board of Directors' Meetings:</b>			
	The MD or CEO, CS, CFO and HIAC of the companies shall attend the meetings of the Board of Directors provided that the CS, CFO and/or the HIAC shall not attend such part of a meetings of the Board of Directors which involves consideration of an agenda item relating to their personal matter.	√	-	-
<b>3(3)</b>	<b>Duties of Managing Director (MD) or Chief Executive Officer (CEO) and Chief Financial Officer (CFO)</b>			
3(3)(a)	The MD or CEO and CFO have reviewed financial statements for the year to the best of their knowledge and belief;	√	-	-
3(3)(a)(i)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;	√	-	-
3(3)(a)(ii)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws;	√	-	-
3(3)(b)	This is also certified that no transactions entered into by the company during the year which are fraudulent, illegal or in violation of the code of conduct for the company's Board or its members;	√	-	-
3(3)(c)	The certification of the MD or CEO and CFO shall be disclosed in the Annual Report.	√	-	-
<b>4</b>	<b>Board of Directors' Committee:- For ensuring good governance in the company, the Board shall have at least following subcommittees:</b>			

Condition No.	Title	Complied	Not Complied	Remarks (If any)
4(i)	Audit Committee	√	-	-
4(ii)	Nomination and Remuneration Committee	√	-	-
<b>5</b>	<b>Audit Committee</b>			
<b>5(1)</b>	<b>Responsibility to the Board of Directors</b>			
5(1)(a)	The company shall have an Audit Committee as a sub-committee of the Board of Directors;	√	-	-
5(1)(b)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business;	√	-	-
5(1)(c)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	√	-	-
<b>5(2)</b>	<b>Constitution of the Audit Committee</b>			
5(2)(a)	The Audit Committee shall be composed of at least 3 (three) members;	√	-	-
5(2)(b)	The Board of Directors shall appoint members of the Audit Committee who shall be directors of the company and shall include at least 1 (one) independent director;	√	-	-
5(2)(c)	All members of the audit committee should be "financially literate" and at least 1 (one) member shall have accounting or related financial management background and 10 (ten) years of such experience;	√	-	-
5(2)(d)	When the term of service of any Committee members expires or there is any circumstance causing any Committee member to be unable to hold office before expiration of the term of service, thus making the number of the Committee members to be lower than the prescribed number of 3 (three) persons, the Board of Directors shall appoint the new Committee members to fill up the vacancies immediately or not later than 1 (one) month from the date of vacancies in the Committee to ensure continuity of the performance of work of the Audit Committee;	√	-	No casual vacancy was created during 2020
5(2)(e)	The company secretary shall act as the secretary of the Committee;	√	-	-
5(2)(f)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	√	-	-
<b>5(3)</b>	<b>Chairman of the Audit Committee</b>			
5(3)(a)	The Board of Directors shall select 1 (one) member of the Audit Committee to be Chairman of the Audit Committee, who shall be an independent director;	√	-	-
5(3)(b)	The quorum of the meeting of the Audit committee shall be constituted in presence of either two members or two third of the members of the Audit committee, whichever is higher where presence of an independent director is a must.	-	-	No such Incident arose

Condition No.	Title	Complied	Not Complied	Remarks (If any)
5(3)(c)	Chairman of the Audit Committee shall remain present in the Annual General Meeting (AGM);	√	-	-
<b>5(4)</b>	<b>Meeting of the Audit Committee</b>			
5(4)(a)	The Audit Committee shall conduct at least its four meetings in a financial year	√	-	-
5(4)(b)	The quorum of the meeting of the Audit Committee shall be constituted in presence of either two members or two third of the members of the Audit Committee, whichever is higher, where presence of an independent director is a must.	√	-	-
<b>5(5)</b>	<b>Role of Audit Committee: The Audit Committee shall:-</b>			
5(5)(a)	Oversee the financial reporting process;	√	-	-
5(5)(b)	Monitor choice of accounting policies and principles;	√	-	-
5(5)(c)	Monitor Internal Audit and Compliance process to ensure that it is adequately resourced, including approval of the Internal Audit and Compliance Plan and review of the Internal Audit and Compliance Report;	√	-	-
5(5)(d)	Oversee hiring and performance of external auditors;	√	-	-
5(5)(e)	Hold meeting with the external or statutory auditors for review of the annual financial statements before submission to the Board for approval or adoption;	√	-	-
5(5)(f)	Review along with the management, the annual financial statements before submission to the Board for approval;	√	-	-
5(5)(g)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;	√	-	-
5(5)(h)	Review the adequacy of internal audit function;	√	-	-
5(5)(i)	Review the Management's Discussion and Analysis before disclosing in the Annual Report;	√	-	-
5(5)(j)	Review statement of significant related party transactions submitted by the management;	√	-	-
5(5)(k)	Review Management Letters or Letters/Letter of Internal Control weakness issued by statutory auditors;	√	-	-
5(5)(l)	Oversee the determination of audit fees based on scope and magnitude, level of expertise deployed and time required for effective audit and evaluate the performance of external auditors;	√	-	-
5(5)(m)	Oversee whether the proceeds raised through Initial Public Offering (IPO) or Repeat Public Offering (RPO) or Rights Share Offer have been utilized as per the purposes stated in relevant offer document or prospectus approved by the Commission;		-	N/A
<b>5(6)</b>	<b>Reporting of the Audit Committee</b>			
<b>5(6)(a)</b>	<b>Reporting to the Board of Directors</b>			
5(6)(a)(i)	The Audit Committee shall report on its activities to the Board of Directors.	√	-	-
5(6)(a)(ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:-		-	-

Condition No.	Title	Complied	Not Complied	Remarks (If any)
5(6)(a)(ii)(a)	report on conflicts of interests;	N/A	-	No such event occurred
5(6)(a)(ii)(b)	suspected or presumed fraud or irregularity or material defect identified in the internal control system;	N/A	-	No such event occurred
5(6)(a)(ii)(c)	suspected infringement of laws, including securities related laws, rules and regulations; and	N/A	-	No such event occurred
5(6)(a)(ii)(d)	Any other matter which shall be disclosed to the Board of Directors immediately;	N/A	-	No such event occurred
<b>5(6)(b)</b>	<b>Reporting to the Authorities</b>			
	If the Audit Committee has reported to the Board of Directors about anything which has material impact on the financial condition and results of operation and has discussed with the Board of Directors and the management that any rectification is necessary and if the Audit Committee finds that such rectification has been unreasonably ignored, the Audit Committee shall report such finding to the Commission, upon reporting of such matters to the Board of Directors for three times or completion of a period of 6 (six) months from the date of first reporting to the Board, whichever is earlier.	N/A	-	No such event occurred
<b>5(7)</b>	<b>Reporting to the Shareholders and General Investors:</b>			
	Report on activities carried out by the Audit Committee, including any report made to the Board of Directors under condition No. 5(6)(a)(ii) above during the year, shall be signed by the Chairperson of the Audit Committee and disclosed in the annual report of the issuer company.	√	-	-
<b>6</b>	<b>Nomination and Remuneration Committee (NRC)</b>			
<b>6(1)</b>	<b>Responsibility to the Board of Directors</b>			
6(1)(a)	The company shall have a Nomination and Remuneration Committee (NRC) as a subcommittee of the Board;	√	-	-
6(1)(b)	The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executive;	√	-	-
6(1)(c)	The Terms of Reference (TOR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5)(b).	√	-	-
<b>6(2)</b>	<b>Constitution of the NRC</b>			
6(2)(a)	The Committee shall comprise of at least three members including an independent director;	√	-	-
6(2)(b)	All members of the Committee shall be non-executive directors;	√	-	-
6(2)(c)	Members of the Committee shall be nominated and appointed by the Board;	√	-	-



**Mozaffar Hossain Spinning Mills Limited**

Condition No.	Title	Complied	Not Complied	Remarks (If any)
6(2)(d)	The Board shall have authority to remove and appoint any member of the Committee;	√	-	-
6(2)(e)	In case of death, resignation, disqualification, or removal of any member of the Committee, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee;	N/A	-	-
6(2)(f)	The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as advisor who shall be non-voting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee;	N/A	-	-
6(2)(g)	The company secretary shall act as the secretary of the Committee;	√	-	-
6(2)(h)	The quorum of the NRC meeting shall not constitute without attendance of at least an independent director;	√	-	-
6(2)(i)	No member of the NRC shall receive any remuneration for any advisory role or otherwise, other than Director's fees or honorarium from the company;	√	-	-
<b>6(3)</b>	<b>Chairperson of the NRC</b>			
6(3)(a)	The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director;	√	-	-
6(3)(b)	In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;	N/A	-	-
6(3)(c)	The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders.	√	-	-
<b>6(4)</b>	<b>Meeting of the NRC</b>			
6(4)(a)	The NRC shall conduct at least one meeting in a financial year;	√	-	-
6(4)(b)	The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC;	N/A	-	-
6(4)(c)	The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h);	√	-	-
6(4)(d)	The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC.	√	-	-
<b>6(5)</b>	<b>Role of the NRC</b>			
6(5)(a)	NRC shall be independent and accountable to the Board and shareholders;	√	-	-

Condition No.	Title	Complied	Not Complied	Remarks (If any)
6(5)(b)	NRC shall oversee, among others, the following matters:	√	-	-
6(5)(b)(i)	Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, considering the following:	√	-	-
6(5)(b)(i)(a)	The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;	√	-	-
6(5)(b)(i)(b)	The relationship of remuneration to performance is clear and meets appropriate performance benchmarks;	√	-	-
6(5)(b)(i)(c)	Remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;	√	-	-
6(5)(b)(ii)	Devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;	√	-	-
6(5)(b)(iii)	Identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;	√	-	-
6(5)(b)(iv)	Formulating the criteria for evaluation of performance of independent directors and the Board;	√	-	-
6(5)(b)(v)	Identifying the company's needs for employees at different levels;	√	-	-
6(5)(b)(vi)	developing, recommending and reviewing annually the company's human resources and training policies;	√	-	-
6(5) (c)	The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual Report.	√	-	-
<b>7</b>	<b>External/Statutory Auditors</b>			
7(1)	The issuer company shall not engage its external or statutory auditors to perform the following services of the company, namely:-	-	-	-
7(1)(i)	Appraisal or valuation services or fairness opinions;	√	-	-
7(1)(ii)	Financial information systems design and implementation;	√	-	-
7(1)(iii)	book-keeping or other services related to the accounting records or financial statements;	√	-	-
7(1)(iv)	broker-dealer services;	√	-	-
7(1)(v)	actuarial services;	√	-	-
7(1)(vi)	internal audit services or special audit services;	√	-	-
7(1)(vii)	any service that the Audit Committee determines;	√	-	-

Condition No.	Title	Complied	Not Complied	Remarks (If any)
7(1)(viii)	Audit/certification services on compliance of corporate governance as required under condition No. 9(1);	√	-	-
7(1)(ix)	any other service that creates conflict of interest.	√	-	-
7(2)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company; his or her family members also shall not hold any shares in the said company	√	-	-
7(3)	Representative of external or statutory auditors shall remain present in the Shareholders' Meeting (Annual General Meeting or Extraordinary General Meeting) to answer the queries of the shareholders.	√	-	-
<b>8</b>	<b>Maintaining a website by the Company</b>			
8(1)	The company shall have an official website linked with the website of the stock exchange.	√	-	-
8(2)	The company shall keep the website functional from the date of listing.	√	-	-
8(3)	The company shall make available the detailed disclosures on its website as required under the listing regulations of the concerned stock exchange(s).	√	-	-
<b>9</b>	<b>Reporting and Compliance of Corporate Governance</b>			
9(1)	The company shall obtain a certificate from a practicing Professional Accountant or Secretary (Chartered Accountant or Cost and Management Accountant or Chartered Secretary) other than its statutory auditors or audit firm on yearly basis regarding compliance of conditions of Corporate Governance Code of the Commission and shall such certificate shall be disclosed in the Annual Report.	√	-	-
9(2)	The professional who will provide the certificate on compliance of this Corporate Governance Code shall be appointed by the shareholders in the annual general meeting.	√	-	-
9(3)	The directors of the company shall state, in accordance with the <b>Annexure</b> attached, in the directors' report whether the company has complied with these conditions.	√	-	-

# AUDIT COMMITTEE REPORT

## (FOR THE YEAR ENDED 30 JUNE 2020)

Dear Shareholders

**Mozaffar Hossain Spinning Mills Limited** established an audit committee as a sub-committee of the Board of Directors and they assist the Board of Directors in fulfilling its oversight responsibilities and ensuring that the financial statement reflects true and fair view.

### Composition of Audit Committee

As per requirements of BSEC circular, The Board of Directors of **Mozaffar Hossain Spinning Mills Limited** formed an Audit Committee headed by Company's Independent Director Mr. Anwarul Hoque. The Committee is composed of 3 (three) members of the Board. The members of the Audit Committee are as follows:

Mr. Anwarul Hoque Independent Director	Chairman
Mr. Md. Mozaffar Hossain Managing Director	Member
Mr. Raisul Hasan Director	Member
Mr. Haris Alam Company Secretary	Member Secretary

### Audit Committee Meeting Attendance record of the Members

Name	Position	Meeting Held	Meeting Attended
Mr. Anwarul Hoque	Chairman	4	4
Mr. Md. Mozaffar Hossain	Member		4
Mr. Raisul Hasan	Member		4
Mr. Haris Alam	Member		4

### The Role and Responsibilities of the Audit Committee

The Role and Responsibilities of the Audit committee are clearly mentioned in the Compliance of Corporate Governance Guidelines of Bangladesh Securities and Exchange Commission (BSEC) Notification No. SEC/CMRRCD/2006-158/207/Admin/80 dated 3 June 2018 condition no 5.5. The key responsibilities of the Audit Committee are as follows.

- Oversee the financial reporting process.
- Monitor choice of accounting policies and principles.
- Monitor Internal Control Risk management process.
- Oversee hiring and performance of external auditors
- Review along with the Management, the Annual Financial Statements before submission to the board for approval.
- Review along with the management, the quarterly and half-yearly Financial Statements before submission to the Board for approval.
- Review the adequacy of internal Audit function.
- Review statement of significant related party transactions submitted by the management.
- Review Management letter/Letter of Internal Control weakness issued by statutory auditors.



**During the period under report the committee met four times and its activities includes:**

- The financial statements of the quarterly, half yearly and the full year were reviewed by the committee and subsequently recommended to the Board for adoption consideration and circulation as per the requirement of Bangladesh Securities & Exchange Commission.
- The committee also reviewed the audited financial statements of the Company for the year ended June 30, 2020 this reviews incorporated the accounting policies and key judgments and estimates underpinning financial statements as disclosed in Notes to the Accounts.
- The committee also reviewed the work of the internal audit department and made suggestions for improvement.
- The committee reviewed the compliance with existing laws and regulation.
- Approved the internal audit plan.
- Reviewed the effectiveness and independence of the Statutory auditors and recommended re-appointment of external auditors.



On behalf of the Committee

**Mr. Anwarul Hoque**

Chairman, Audit Committee

# Report of the Nomination and Remuneration Committee (NRC)

The Company has formed a Nomination and Remuneration Committee (NRC) as per notification no. BSEC/CMRRCD/2006-158/207/Admin/80 Dated 3 June 2018.

## Members of NRC:

The committee consists of 3 members; which is as follows:

- |                             |                  |
|-----------------------------|------------------|
| 1. Mr. Anwarul Hoque        | Chairman         |
| 2. Mr. Md. Mozaffar Hossain | Member           |
| 3. Mr. Raisul Hasan         | Member           |
| 4. Mr. Haris Alam           | Member Secretary |

The main role of the Committee is to assist and advise the Board on the Company's remuneration policy for the Board and key management personnel, drive diversity and inclusion in the organization, guide standards of behavior and culture code, ensure appropriate processes for performance-related pay in order to motivate and retain executives and ensure that the Company is able to attract the best talent in the market in order to maximize shareholder value.

During this year, the Committee held 1 (One) meeting, complying with the requirement of at least one meeting to be held during the year.

## NRC Meeting Attendance record of the Members

Name	Position	Meeting Held	Meeting Attended
Mr. Anwarul Hoque	Chairman	1	1
Mr. Md. Mozaffar Hossain	Member		1
Mr. Raisul Hasan	Member		1
Mr. Haris Alam	Member		1

## Terms of Reference:

The terms of reference of the Committee as set out by the Nomination & Remuneration Committee which was adopted by the Board during the year under review. The Committee shall oversee, among others, the following matters and shall recommend the following for review and/or approval of the Board, as the case may be:

- i. the criteria for determining qualifications, positive attributes and independence of a director
- ii. a policy relating to the remuneration of the directors, top level executive, considering the following:
  - a. the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;
  - b. the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  - c. remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;
- iii. a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;
- iv. the plan in relation to identification of persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;
- v. the criteria for evaluation of performance of independent directors and the Board;
- vi. the plan or proposal on company's needs for employees at different levels and the selection, transfer or replacement and promotion criteria/ principles; and
- vii. the annual exercise on the developments, recommendations and review of the company's human resources and training policies;

**Major Activities during the year:**

During the year under review, the Committee carried out the following activities:

- a. Reviewed and ratified the uniform Code of Conduct for the Company which would be also applicable to members of the Board and key management personnel or top-level executives which was adopted by the Board
- b. Reviewed the available document of the Company which underlies all aspects of individual and collective performance and functioning of the Company
- c. Reviewed the core human resources principles and philosophy of the Company including recruitment, performance evaluation across all levels of members and talent value proposition of the Company

The NRC Committee expressed their sincere thanks to the members of the Board and Management of the company for their support in carrying out its duties and responsibilities effectively. The Committee will proceed to function by adopting and adhering to a calendar or plan for the year and monitor progress on the same.



**On behalf of the Committee**

**Mr. Anwarul Hoque**

Chairman

Nomination and Remuneration Committee

## Mozaffar Hossain Spinning Mills Limited

### Independent Auditors' Report To the Shareholders of Mozaffar Hossain Spinning Mills Limited

#### Report on the Audit of the Financial Statements:

##### Qualified Opinion

We have audited the financial statements of Mozaffar Hossain Spinning Mills Limited (The Company), which comprise the statement of financial position as at June 30, 2020, and the statement of profit or loss and other comprehensive Income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information disclosed in notes 1 to 37 & Annexure-A to C.

In our opinion, except for the effect of the matter described in the basis for qualified opinion section of our report the accompanying financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), The Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

##### Basis for Qualified Opinion

Revaluation shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period, but the entity did not revalue its land since 2011.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

##### Our key audit matters

Risk	Our response to the risk
<b>Revenue</b>	
Refer note no 25.00 (a) to the Statement of Profit or Loss and Other Comprehensive Income.	
The company has different procedure of revenue recognition. More over inter company sales makes it complex audit issue.	<p>Our procedure includes:</p> <p><b>Control test:</b> testing the effectiveness of the entity's control around the recording revenue recognition.</p> <p><b>Test of details:</b> obtaining supporting documents of revenue recognition, point of revenue recognition, sales return adjustments, rebates, commissions, etc. and transaction recorded either side of the year and debit notes issued after the year end to determine whether the amount recorded in correct period.</p> <p>Test the adjustments made for commission, sales return, discounts with the revenue.</p> <p><b>Assessing disclosure:</b> considering the adequacy of the entity's disclosure regarding revenue.</p> <p><b>Our result:</b> the result of our testing is satisfactory and we considered the carrying amount of revenue recognized to be acceptable and recorded in correctly.</p>

Income tax	
Refer note no. 23.00 to the statement of financial position and note no. 23.01 to the statement of profit or loss and other comprehensive Income.	
The company has different items of income, assets and provisions which requires significant judgment for both in current tax and deferred tax calculation.	<p>Our procedure includes:</p> <p><b>Control test:</b> testing the effectiveness of the entity's control around the recording and re-assessment of the amount of tax expenses and related assets and liabilities.</p> <p><b>Test of details:</b> obtaining supporting documents, checked calculation and challenged the amount as per our knowledge of corporate taxation both for current and deferred portion.</p> <p><b>Assessing disclosure:</b> considering the adequacy of the entity's disclosure regarding tax.</p> <p><b>Our result:</b> the results of our testing were satisfactory and we found the level of tax provisioning is acceptable.</p>
Capital Work-in- Progress (CWIP)	
Refer note no. 7 to the Statement of Financial Position	
<p>Capital work in progress is pre-stage of capitalization of Property, plant and equipment (PPE). Capitalization of expenses and cost of goods are in some extend judgmental in nature.</p> <p>Moreover, transfer of capital work in progress to PPE is also judgmental requires estimation.</p>	<p>Our procedure includes:</p> <p><b>Control test:</b> testing the effectiveness of the entity's control around the recording and re-assessment of the amount of capitalization and transferred to PPE.</p> <p><b>Test of details:</b> obtaining supporting documents of capitalization transaction recorded either side of the year and debit notes issued after the year end to determine whether the amount recorded in correct period.</p> <p>Test the advance adjustments and notes of transfer from CWIP to PPE and costing, date etc. thereof.</p> <p>Critically analyze journal entries posted during the year to identify unusual items</p> <p><b>Assessing disclosure:</b> considering the adequacy of the entity's disclosure regarding CWIP.</p> <p><b>Our result:</b> the result of our testing is satisfactory and we considered the capitalization cost, expenses and the amount transferred to PPE recognized to be acceptable and recorded in correctly.</p>

### Other Information

Management is responsible for the other information. The other information comprises all of the information in the Annual Report other than the financial statements and our Auditors' Report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.



## **Mozaffar Hossain Spinning Mills Limited**

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements and Internal Controls**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other Legal and Regulatory Requirements**

In accordance with the Companies Act 1994, the Securities and Exchange Rules 1987 and relevant notifications issued by Bangladesh Securities and Exchange Commission, we also report that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit and made due verification thereof;
- b) In our opinion, proper books of accounts, records and other statutory books as required by law have been kept by the Company so far as it appeared from our examinations of those books;
- c) The statement of financial position and statement of profit or loss and other comprehensive Income, statement of changes in equity and statement of cash flows of the Company together with the annexed notes dealt with by the report are in agreement with the books of account and returns; and
- d) The expenditure was incurred for the purpose of the Company's business.

The engagement partner of the audit resulting in this independent auditors' report is Mohammad Mofizul Haque Rinku, FCA.

**Dated: Dhaka**  
October 28, 2020

  
**Rahman Mostafa Alam & Co.**  
Chartered Accountants

**Mozaffar Hossain Spinning Mills Limited**

**Rahman Mostafa Alam & Co.**

Chartered Accountants

**MOZAFFAR HOSSAIN SPINNING MILLS LIMITED**  
Statement of Financial Position  
As at June 30, 2020

Particulars	Notes	Amount in Taka	
		June 30, 2020	June 30, 2019
<b>ASSETS:</b>			<b>*Restated</b>
<b>Non-Current Assets</b>		<b>3,511,101,149</b>	<b>3,419,104,279</b>
Property, Plant and Equipment's	5.00	1,657,189,187	548,881,889
Deferred Tax Assets	6.00	6,966,655	-
Capital Work-In-Progress	7.00	1,846,945,307	2,870,222,390
<b>Investment</b>		<b>4,451,171</b>	<b>5,110,847</b>
Investment	8.00	4,451,171	5,110,847
<b>Current Assets</b>		<b>1,025,889,220</b>	<b>683,181,614</b>
Inventories	9.00	785,173,583	239,084,549
Accounts Receivable	10.00	143,971,075	313,427,416
Advances, Deposits & Pre-Payments	11.00	81,479,890	128,847,685
Cash and Cash Equivalents	12.00	15,264,672	1,821,964
<b>Total Assets</b>		<b>4,541,441,541</b>	<b>4,107,396,739</b>
<b>EQUITY AND LIABILITIES:</b>			
<b>Shareholders' Equity</b>		<b>1,415,156,554</b>	<b>1,534,993,951</b>
Share Capital	13.00	1,009,933,740	990,131,120
Revaluation Reserve	14.00	127,708,347	127,708,347
Tax Holiday Reserve	15.00	72,845,417	72,845,417
Retained Earnings (*Restated)	16.00	204,669,050	344,309,067
<b>Non-Current Liabilities</b>		<b>971,881,330</b>	<b>439,499,612</b>
Long Term Borrowings	17.00	971,881,330	433,675,280
Deferred Tax Liability		-	5,824,332
<b>Current Liabilities</b>		<b>2,154,403,656</b>	<b>2,132,903,175</b>
Accounts Payable	18.00	824,297,597	1,304,115,968
Cash Dividend Payable	19.00	469,705	469,705
Long Term Borrowings- Current Maturity	20.00	85,970,223	58,896,930
Refundable Fund of IPO Subscribers	21.00	2,755,000	4,755,000
Short Term Borrowings	22.00	1,034,950,373	625,907,296
Provision for Tax	23.00	84,700,386	100,877,371
Accrued Expenses (*Restated)	24.00	121,260,372	37,880,905
<b>Total Equity &amp; Liabilities</b>		<b>4,541,441,541</b>	<b>4,107,396,739</b>
<b>Net Asset Value Per Share (NAVPS)</b>	<b>33.00</b>	<b>14.01</b>	<b>15.20</b>

\* Prior years figure restated. Details disclosed in note no. 4.28.

The accompanying notes 1 to 37 form an integral part of these Financial Statements.

  
Chief Financial Officer

  
Company Secretary

  
Director

  
Managing Director

  
Chairman

Signed in terms of our annexed report of even date

**Dated: Dhaka**  
October 28, 2020

  
**Rahman Mostafa Alam & Co.**  
Chartered Accountants

**Rahman Mostafa Alam & Co.**

Chartered Accountants

**Mozaffar Hossain Spinning Mills Limited****Mozaffar Hossain Spinning Mills Limited**

Statement of Profit or Loss &amp; Other Comprehensive Income

For the year ended July 01, 2019 to June 30, 2020

Particulars	Notes	Amount in Taka	
		July 01, 2019 to June 30, 2020	July 01, 2018 to June 30, 2019
Turnover	25.00	283,548,166	352,279,010
Less: Cost of Goods Sold	26.00	299,446,301	337,166,119
<b>Gross Profit</b>		<b>(15,898,135)</b>	<b>15,112,891</b>
Other Income	27.00	(158,379)	362,510
<b>Operating Expenses:</b>		<b>33,228,742</b>	<b>21,015,847</b>
Administrative Expenses (*Last years figure restated.)	28.00	32,638,742	19,725,401
Marketing and Distribution Expenses	29.00	590,000	1,290,446
Profit from Operation		<b>(49,285,256)</b>	<b>(5,540,446)</b>
Less: Financial expenses	30.00	82,503,364	93,581,443
<b>Profit Before Tax</b>		<b>(131,788,620)</b>	<b>(99,121,889)</b>
<b>Income tax expenses:</b>		<b>(11,951,223)</b>	<b>(3,504,035)</b>
Current tax		839,764	2,115,849
Deferred Tax Expenses/(Income)		(12,790,987)	(5,619,884)
<b>Net Profit after Tax Transferred to Equity</b>		<b>(119,837,397)</b>	<b>(95,617,854)</b>
<b>Earnings Per Share (EPS)</b>	31.00	<b>(1.19)</b>	<b>(0.95)</b>
<b>Number of Shares used to compute</b>	No's	<b>100,993,374</b>	<b>100,993,374</b>

\* Prior years figure restated. Details disclosed in note no. 4.28.

The accompanying notes 1 to 37 form an integral part of these Financial Statements.



Chief Financial Officer



Company Secretary



Director



Managing Director



Chairman

Signed in terms of our annexed report of even date

**Dated: Dhaka**

October 28, 2020

  
**Rahman Mostafa Alam & Co.**  
Chartered Accountants

**Mozaffar Hossain Spinning Mills Limited**  
**Statement of Changes in Equity**

For the year ended July 01, 2019 to June 30, 2020

Particulars	Share Capital	Tax holiday Reserve	Revaluation Reserve	Retained Earnings	Total
Balance as on 01.07.2019	990,131,120	72,845,417	127,708,347	344,309,067	1,534,993,951
Net Profit / (Loss) for the period	-	-	-	(119,837,397)	(119,837,397)
Bonus Share Issued 2% Stock	19,802,620	-	-	(19,802,620)	-
<b>Balance as on 30.06.2020</b>	<b>1,009,933,740</b>	<b>72,845,417</b>	<b>127,708,347</b>	<b>204,669,050</b>	<b>1,415,156,554</b>

**Mozaffar Hossain Spinning Mills Limited**  
**Statement of Changes in Equity**

For the year ended 01 July 2018 to 30 June 2019

Particulars	Share Capital	Tax holiday Reserve	Revaluation Reserve	Retained Earnings	Total
Balance as on 01.07.2018	942,982,020	72,845,417	127,708,347	494,672,491	1,638,208,275
Prior year adjustment for WPPF				(7,596,470)	(7,596,470)
<b>Restated Balance as on July 01, 2018</b>	<b>942,982,020</b>	<b>72,845,417</b>	<b>127,708,347</b>	<b>487,076,021</b>	<b>1,630,611,805</b>
Net Profit / (Loss) for the period	-	-	-	(95,617,854)	(95,617,854)
Bonus Share Issued 5% Stock	47,149,100	-	-	(47,149,100)	-
<b>Balance as on 30.06.2019</b>	<b>990,131,120</b>	<b>72,845,417</b>	<b>127,708,347</b>	<b>344,309,067</b>	<b>1,534,993,951</b>

\* Prior years figure restated. Details disclosed in note no. 4.28.



Chief Financial Officer



Company Secretary



Director



Managing Director



Chairman

Signed in terms of our annexed report of even date

  
**Rahman Mostafa Alam & Co.**  
Chartered Accountants

**Dated: Dhaka**  
October 28, 2020



**Rahman Mostafa Alam & Co.**

Chartered Accountants

**Mozaffar Hossain Spinning Mills Limited**

## Statement of Cash Flows

For the year ended July 01, 2019 to June 30, 2020

Particulars	Notes	Amount in Taka	
		July 01, 2019 to June 30, 2020	July 01, 2018 to June 30, 2019
<b>A. Cash flows from operating activities :</b>			
Cash Collection from Turnover and Others		454,901,806	660,720,399
Foreign Exchange Gain/(Loss)		(2,055,678)	-
Cash Paid to Suppliers, Employee and Others		(1,202,872,849)	(263,259,650)
<b>Cash Generated from Operation</b>		<b>(750,026,721)</b>	<b>397,460,750</b>
Income Tax Paid		(839,764)	(113,528)
<b>Net cash flows from/(used) in operating activities</b>		<b>(750,866,485)</b>	<b>397,347,222</b>
<b>B. Cash flow from investing activities:</b>			
Acquisition of Property, Plant & Equipment		(1,180,937,084)	(2,584,977)
Payment for Capital Work in Progress		1,023,277,083	(1,144,602,761)
Advanced for Ring Spinning Project		1,055,134	-
Advance for Acquisition of Property, Plant & Equipment		30,359,515	-
Investment		659,676	-
<b>Net cash flows from/ (used) in Investing Activities</b>		<b>(125,585,677)</b>	<b>(1,147,187,738)</b>
<b>C. Cash flow from financing activities:</b>			
Received/(Repaid) short term loan		409,043,077	445,964,920
Financial Expenses		(82,503,364)	(93,581,443)
Cash Dividend Paid		-	(3,033)
Received/(Repaid) long term loan		565,279,343	390,987,428
Refundable fund of IPO subscriber		(2,000,000)	(3,000,000)
<b>Net cash flows from/(used) in financing activities</b>		<b>889,819,054</b>	<b>740,367,872</b>
<b>D. Net Cash Increase/ (Decrease) (A+B+C)</b>		<b>13,366,892</b>	<b>(9,472,644)</b>
<b>E. Opening cash and cash equivalents at the beginning of the period</b>		<b>1,821,964</b>	<b>11,294,607</b>
<b>F. Closing cash and cash equivalents at the end of the period (D+E)</b>		<b>15,188,856</b>	<b>1,821,964</b>
<b>G. Unrealized Fc Gain/(Loss) for Cash and Cash Equivalents</b>		<b>75,816</b>	<b>-</b>
<b>H. Cash and Cash Equivalents carried forward (G+H)</b>		<b>15,264,672</b>	<b>1,821,964</b>
<b>Net Operating Cash Flow Per Share</b>	<b>32.00</b>	<b>(7.43)</b>	<b>3.93</b>
<b>Number of Shares used to compute NOCFPS</b>		<b>100,993,374</b>	<b>100,993,374</b>



Chief Financial Officer



Company Secretary



Director



Managing Director



Chairman

Signed in terms of our annexed report of even date

**Dated: Dhaka**

October 28, 2020



**Rahman Mostafa Alam & Co.**  
Chartered Accountants

**MOZAFFAR HOSSAIN SPINNING MILLS LIMITED**

**Notes to the Financial Statements**

As at and for the year ended 30 June 2020

**1.0 Legal Status of the Company**

Mozaffar Hossain Spinning Mills Limited (herein after referred to as “MHSML” or “The Company”) was incorporated with the Registrar of Joint Stock Companies and Firms (RJSCF) vide registration no. C-59784(1791)/05 dated November 29, 2005 as a private company Limited by shares namely Mozaffar Hossain Textile Mills Limited. Subsequently the company renamed as Mozaffar Hossain Spinning Mills Limited in December 14, 2011 and the company was emerged as a public limited company on the same date and year. In January 2014, Mozaffar Hossain Spinning Mills Limited listed its shares with both Dhaka and Chittagong Stock Exchanges.

**Registered office of the company**

The registered office and principal place of business of the company is situated at House # 315, Road # 04, DOHS Baridhara, Dhaka-1206, Bangladesh, and the manufacturing establishment is located at Thakurbari Teac, Masumabad, Bhulta, Rupgonj, Narayangonj.

**2.0 Nature of Business Activities**

Mozaffar Hossain Spinning Mills Limited runs the business of 100% export oriented cotton yarn manufacturing & selling mostly to woven fabrics manufacturer. As a backward linkage industry to support 100% export oriented RMG industry of Bangladesh. Products of the company are sold at domestic market as deemed exporter delivered to the export oriented companies.

**3.0 Risk Exposure**

**3.1 Interest Rate Risk**

MHSML is exposed to the volatility of interest rate as it has long-Term Bank Loan. Any higher trend in interest rate in the future will definitely aggravate the adversity.

**Management perception:**

The management of MHSML has decided to pay off the outstanding Bank Loan gradually to make the Gearing Ratio at a satisfactory level which is expected to reduce the financial leverage and interest burden significantly.

**3.2 Exchange Rate Risk**

MHSML is engaged in global trade as it procures its raw materials from overseas markets. Therefore, fluctuations in the related foreign currency rates may affect adversely to the company's liquidity and profitability and expose a threat to the stability of the Company.

**Management Perception:**

MHSML settles its foreign transaction through US Dollars in case of both export and import. While the value of functional currency fluctuates, the loss or gain on currency fluctuation for export automatically sets off against the loss or gain on currency fluctuation for import. As the value of export is always greater than the value of import, some balance is created in the foreign currency transaction. Furthermore, the Company is contemplating about setting a system of hedging on foreign currency transactions in the future. Movement in the exchange rate adversely may expose the company to risks of foreign currency loss.

**3.3 Industry Risks**

**(a) Market demand:**

The products of MHSML are sold to the export oriented fabrics and garments manufacturer, The ultimate buyer are from abroad. Any economic recession, changes in tastes and fashions of the consumers, national income and other related factors may cause to decline the market demand of the company products.

**Management Perception:**

MHSML always gives values to its customers' satisfaction and changes in tastes and fashion. Therefore its expert team promptly dedicates their creativity and research work to respond any changes in customers demand and product diversifications.

**(b) Competition:**

MHSML is operating in a free market economy regime. The company might have to face stiff competition from its competitors:

**Management Perception:**

Bangladesh is the prime source of cheapest garments in the world, earning comparative advantages for its industries over their global competitors. In addition, the management of MHSML employs their efficiencies; expertise and discretions to minimize the cost of its products.

**(c) Rising of Raw Materials costs:**

The cost of raw cotton and other material are highly volatile and can take movement in any direction. Increasing trend in the raw material cost may hamper the profitability of the company to a greater extent.

**Management Perception:**

MHSML is aware of the continuing market situation of its raw materials. The management of MHSML believes that long term planning for raw material management, exploring number of global markets, job wise costing for its finished products and trustworthy relations with the suppliers and mitigate the risk of rising of materials cost.

**3.4 Risks steaming from technological changes:**

Changes in technologies may reduce the cost efficiency of the company.

**Management perception:**

MHSML had gone for huge BMRE to support the technological changes. The machineries and equipment of the new unit are the latest invention in the sector which is imported from renowned manufacturers of the world.

**3.5 Other risk factors:**

**(a) Political Unrest:**

Bangladesh is prone to serious unrest in the political condition embraced by Hartal, Road-Block and many other politicized barriers to the business. Due to these factors it would stem the cost of the product upwards.

**Management Perception:**

During the last forty-seven years of post independence period, Bangladesh has gone through a variety of political situations. However, presently, a sound political atmosphere is prevailing in the country. Both the ruling and opposition parties are committed to the betterment of the country. Last democratic national assembly election and local council polls are instances of peaceful political situation in Bangladesh.

**(b) Possible slowdown in economic growth in Bangladesh:**

Our performance and growth are dependent on the sound health of the Bangladesh economy. The economy could be adversely affected by various factors such as political or regulatory action, including adverse changes in liberalization policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities, commodity and energy prices and various other factors. Any significant change may adversely affect our business and economy significantly.

**Management Perception:**

Bangladesh economy is booming for last few years. Consistent industrial growth along with increased agricultural production has made the Per Capita Income higher than that of recent years. In addition, favorable government policies and industry friendly policies by other regulatory bodies have proved to be congenial to the economy of the country.

**(c) Natural calamities:**

Bangladesh is a country where recurrent natural calamities take place every year. It is a serious threat to the business.

**Management perception:**

This type of situation is totally beyond the control of human being. Though the management of MHSML has a very little to do with, we can and should have some precaution measures to minimize the damage of the business in such situations.

**4.0 Basis of preparation and significant accounting policies**

**4.1 Basis of Measurement of Elements of Financial Position**

The financial statements have been prepared on the Historical Cost convention basis and therefore, do not take into consideration the effect of inflation except that arising from revaluation of lands and land developments and buildings, as specified in Note 4.10. The accounting policies, unless otherwise stated, have been consistently applied by the Company and are consistent with that of the previous year.

#### **4.2 Statement of Compliance with Laws**

The financial statements have been prepared in accordance with the applicable International Accounting Standards (IAS) and International Financial Reporting Standard (IFRS) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and the requirements of the Companies Act 1994 and other relevant laws and regulations as applicable in Bangladesh.

#### **4.3 Going Concern**

As per IAS-1 "Presentation of Financial Statements", a company is required to make assessment at the end of each year to assess its capability to continue as going concern. Management of the company makes such assessment each year. The company has adequate resources to continue in operation for the foreseeable future and has wide coverage of its liabilities. For this reason, The Directors continue to adopt the going concern assumption while preparing the financial statements.

#### **Deviation from last period Result**

Expansion project of 36,000 Spindle Ring Spinning Mills are under construction. Due to up-gradation of power supply work, machinery installation and short supply of Gas, 50% of Rotor machine were shut down for a long time. Hence, production and revenue has been decreased during the period as well gas pressure problem, Long Eid Holiday, the development & restructure at the existing rotor unit to synchronize the total production facilities hamper the total production. Fall at market demand also end resulted decrease trend in last period result. Factory building shed for new BMRE already been completed and all machinery under installation.

#### **4.4 Accrual Basis**

The financial statements have been prepared, except cash flow information, using the accrual basis of accounting.

#### **4.5 Structure, Content and Presentation of Financial Position**

Being the general purpose financial statements, the presentation of these financial statements is in accordance with the guidelines provided by IAS-1: "Presentation of Financial Statements". A complete set of financial statements comprise:

- i) Statement of Financial Position as at June 30, 2020.
- ii) Statement of Profit or Loss and other Comprehensive Income for the year ended June 30, 2020.
- iii) Statement of Changes in Equity for the year ended June 30, 2020.
- iv) Statement of Cash Flows for the year ended June 30, 2020.
- v) Notes comprising a summary of significant accounting policies and other explanatory information to the Financial Statements for the year ended June 30, 2020.

#### **4.6 Reporting Period**

The Financial year of the company under audit cover for a year of 12 months effective from 01 July 2019 to June 30, 2020.

#### **4.7 Inventories**

Inventories comprises of Raw materials, Work-in-Process, Finished goods and Stores & Spares. Raw materials and Stores and Spares have been measured lower of cost and net realizable value as per IAS-2 "Inventories". Work-in-Process has been valued at prime cost basis as required by IAS-2 "Inventories" with proportionate addition of Factory Overheads. Finished goods have been valued at cost of material and other production overhead attributable to bringing the goods to the stage of sale under the convention of IAS-2 "Inventories".

#### **4.8 Revenue**

Revenue represents the invoice value of goods supplied to customers during the year. Revenue from sale of goods is recognized in the statement of Comprehensive Income when the significant risks and rewards of ownership have been transferred to the buyer. Sales are recognized when delivery certificate is raised against confirmed orders.

#### **4.9 Property, Plant and Equipment**

##### **Initial Recognition and measurement**

Property, plant and equipment are capitalized at cost of acquisition and subsequently stated at cost or valuation less accumulated depreciation in compliance with the requirements of IAS-16:

"Property, Plant and Equipment." The cost of acquisition of an asset comprises its purchase price and any directly attributable cost of bringing the assets to its working condition for its intended use inclusive of inward freight, duties, non-refundable taxes and un-allocated expenditures etc. The land and land developments with an effect as on June 30, 2011 have been revalued by an independent valuer to reflect fair value (prevailing market price) thereof following "Current Cost Method".

#### Subsequent Costs

The cost of replacing part of an item of property, plant and equipments is recognized in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of comprehensive income as "Repair & Maintenance" when it is incurred.

#### Depreciation on Fixed Assets

Depreciation is provided to amortize the cost or valuation of the assets after commissioning, over the period of their expected useful lives, in accordance with the provisions of IAS-16: "Property, Plant and Equipment". Depreciation of an asset begins when it is available for use. Depreciation is charged on all fixed assets except land and land developments on Straight Line method. Rates of depreciation are noted below:

Particular of Assets	Rate of Depreciation
Land & Land Developments	0%
Factory Building	5%
Plant & Machinery	10%
Vehicle	10%
Furniture and Fixture	10%
Air Condition	10%

The gain or loss on disposal or retirement of assets is included statement of comprehensive income when the item is disposed off/derecognized.

The fair value of the property, plant and equipment on 30.06.2020 is not materially differing with the carrying amount.

#### CAPITAL WORK-IN-PROCESS

As per decision of the Board, the company has undertaken an expression program to construct a ring project. The cost of supplies, development work of land and building construction and others has been incorporated in the Capital Work-In-Process.

#### 4.10 Revaluation Reserve

In 2011, land under the ownership of MHSML was professionally revalued by ATA KHAN & Co, Chartered Accountants. Fair market value was estimated at Tk. 132,685,000 as against net book value of Tk. 2,370,360 resulting in a revaluation surplus of Taka 130,314,640 which was accounted for and transferred to revaluation reserve.

#### 4.11 Cash and Cash Equivalent and Statement of Cash Flows:

Cash and cash equivalents comprise cash in-hand and in current account that are readily convertible to a known amount of cash, and that are not subject to significant risk of change in value.

The Statement of Cash Flows is prepared using the Direct Method as stipulated in International Accounting Standards (IAS) "Statement of Cash Flows"

#### 4.12 Earnings per Share

The company calculates Earnings per Share (EPS) in accordance with the requirement of IAS-33: "Earning per Share", which has been shown on the face of the Statement of Comprehensive Income.

##### Basic earnings:

This represents earnings for the year ended June 30, 2020 attributable to the ordinary shareholders.

##### Basic earnings per share:

This has been calculated by dividing the basic earning by the number of ordinary shares outstanding for the period.

##### Weighted average number of ordinary shares outstanding during the year:

The basis of computation of number of shares is in line with the provision of IAS-33: Earnings per Share. Therefore, the total number of shares outstanding at the end of the year multiplied by a time weighting factor which is the number of days the specific shares were outstanding as a proportion of total number of days in the year.

##### Diluted Earnings Per Share:

Diluted EPS is calculated if there is any commitment for issuance of equity shares in foreseeable future, i.e., potential shares, without inflow of resources to the Company against such issue. This is in compliance with the requirement of IAS-33. As the company has no dilutive potential ordinary shares, so diluted earnings per shares was not calculated.



#### **4.13 Foreign Currency Transactions**

Foreign currency transactions are recorded, on initial recognition in the functional currency at the spot exchange rate ruling at the transaction date.

At the end of each reporting period, in compliance with the provision of IAS-21: "The Effects of Changes in Foreign Exchange Rates" are determined as under:

- (a) Foreign currency monetary items are translated using the closing rate.
- (b) Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.
- (c) Non-monetary items that are measured at fair value in a foreign currency is translated using the exchange rate at the date when the fair value is determined.

#### **4.14 Impairment of Assets**

All assets, except inventory, arising from construction contracts and financial assets is assessed at the end of each reporting year to determine whether there is any indication that an assets may be impaired. If any such indication exists the company assesses the recoverable amount.

And only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the assets is reduced to its recoverable amount. The reduction is an impairment loss.

An impairment loss is recognized immediately in statement of Comprehensive Income, unless the asset is carried at revalued amount in accordance with another standard. Any impairment loss of a revalued asset is treated as a revaluation decrease. No such assets have been impaired during the year under audit and for this reason no provision has been made for impairment of assets.

#### **4.15 Borrowing Cost**

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of fund and are recognized as an expense in the year in which it incurs.

#### **4.16 Authorization date for issuing Financial Statements**

Board of Directors authorized the financial statements for issue on October 28, 2020.

#### **4.17 Reporting Currency**

The financial statements are prepared and presented in Bangladesh Currency (Taka), which is the company's functional currency.

#### **4.18 Risk and uncertainty for use of estimates (Provisions):**

The Preparation of Financial Statements in conformity with International Accounting Standards (IAS) requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses, assets and liabilities and disclosure requirements for contingent assets and liabilities during and the date of the financial statements. Due to inherent uncertainty involved in making estimates, actual result reported could differ from those estimates.

In accordance with the guidelines in IAS-37: "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognized in the following situations: -

- When the company has an obligation as a result of past events;
- When it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- Reliable estimate can be made of the amount of the operation.

#### **4.19 Accruals & Deferrals**

Deferrals and accruals have been made as per the guidance in IAS-1 Presentation of Financial Statements. In order to meet their objectives, Financial Statements, except for cash flow statement and related information, are prepared on accrual basis of accounting. Under the basis, the effects of transactions and other events are recognized when they occur (and not when cash or its equivalent is received or paid) and they are recorded in the accounting records and reported in the Financial Statements of the years to which they relate.

Other Payables are not interest bearing and are stated at their nominal value.

#### 4.20 Advances, Deposits and Prepayments

Advances are initially measured at cost. After initial recognition advances are carried at cost less deductions or adjustments. Deposits are measured at payment value. Prepayments are initially measured at cost. After initial recognition prepayments are carried at cost less charges to the statement of comprehensive income.

#### 4.21 Financial Instruments

Non-derivative financial instruments comprise accounts and other receivables, cash and cash equivalents, borrowings and other payables and are shown at transaction cost.

##### Initial recognition

An entity recognizes a financial assets or liabilities in its statement of financial position when, and only when, the entity becomes a party to the contractual provision of the instrument and subsequently recognized at their Amortized Cost.

Bills receivable are recognized at cost or net realizable value from the ordinary course of sales in the market whichever is lower. Bills receivables from foreign currency transactions are recognized into Bangladeshi Taka using exchange rates prevailing on the closing date of the accounts in accordance with IAS-21: The Effects of Changes in Foreign Exchange Rates.

#### 4.22 Segment Reporting

As the Company operates in a single industry segment, so no segment reporting is applicable for the Company as per IAS-14: "Segment reporting".

#### 4.23 Related Party Disclosures

The information as required by IAS-24: "Related party Disclosure" has been disclosed separately in notes to the financial statements.

#### 4.24 Corporate Tax

**(a) Current Tax:** Current Tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year.

Current tax is recognized in statement of comprehensive income except to the extent that it relates to business combination or item recognized directly in equity.

As the company has enjoying tax holiday @ 100% up-to October 2010, has been enjoying 50% up-to October 2012, and has been enjoying 25% up-to October 2013 for which provision for current tax has been made on taxable income to that extent as prescribed in Income Tax Ordinance, 1984.

##### (b) Deferred Tax

Deferred tax liabilities are the amount of income taxes payable in future years in respect of taxable temporary differences. Deferred tax assets are the amount of income taxes recoverable in future years in respect of deductible temporary differences. Deferred tax assets and liabilities are recognized for the future tax consequences of timing differences arising between the carrying values of assets, liabilities, income and expenditure and their respective tax bases. Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or subsequently enacted at the financial statement date.

#### 4.25 Workers Profit Participation Fund

As per provision of Bangladesh Labor Law, Amendment 2013, Section 232(2), in case of a 100% export oriented industrial sector or for any industry investing 100% foreign exchange, the Government, through enactment of Rule, shall adopt required provisions with regard to formation of sector based central fund comprising of buyers and owners, form a Board to execute that fund, determine contributions and their realization procedure and provisions for utilizations of the money for the welfare of the beneficiaries in the sector. As per Financial Statement, Company Showing Net Loss for this reason Company did not make any provision against WPPF.

#### 4.26 Contingent Assets and Liabilities

A contingent asset is disclosed when it is a possible that asset arises from the past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A contingent liability is disclosed when it is a possible obligation that arises from the past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

## **Mozaffar Hossain Spinning Mills Limited**

The company has no contingent assets or liabilities, which require disclosure under IAS: 37. Contingent assets and contingent liabilities are not recognized in the financial statements except the balance amount of IPO subscription money shown in (Note: 21.00) yet to be refundable.

A contingent assets is disclosed as per IAS-37, where an inflow of or economic benefits is probable. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Tax assessment for the year 2010-2011, 2011-2012, 2012-2013, 2013-2014 is under appeal Hon'ble High Court Division of the Supreme Court of Bangladesh for Tax holiday facility.

As per the decision was taken in the 10th AGM and Board of Director's meeting held on 20/12/2015 MHSML has declare 20% Stock Dividend to all the Shareholders but later considered 15% Stock Dividend to all the Shareholders and 5% cash dividend to the general shareholder (Excluding Sponsors /Directors). As per order dated 17.01.2016 passed by the Hon'ble High Court Division of the Supreme Court of Bangladesh in Writ Petition No. 447/2016. 15% stock dividend credited to all shareholders through CDBL, the decision regarding the remaining 5% dividend payment is awaiting Hon'ble High Court.

### **4.27 Comparative Information**

Comparative information has been disclosed as required by IAS 01: Interim Financial Reporting' In respect of the previous year for all numerical information in the current financial statements as below:

- Statement of Financial Position as of the end of the preceding financial year.
- Statement of Profit or Loss and other Comprehensive Income for the comparable year of preceding financial year.
- Statement of Changes in Equity for the comparable year of preceding financial year.
- Statement Cash Flows for the comparable year of preceding financial year.

Comparative figures have been re-arranged wherever considered necessary to conform current year figure without causing any impact on the profit and value of assets and liabilities as reported in the financial statements.

### **4.28 Restatement:**

The company didn't charged interest on unpaid amount of WPPF which have been Rectified during this year. Hence prior years figure of WPPF and interest on WPPF have been restated accordingly.

**Rahman Mostafa Alam & Co.**

Chartered Accountants

Notes No	Particulars	Amount in Taka	
		30.06.2020	30.06.2019
<b>5.00 Property, Plant and Equipment's</b>			
<b>Cost:</b>			
Opening balance at cost		873,337,325	870,752,348
Add : Addition during the period		1,180,937,084	2,584,977
		<b>2,054,274,409</b>	<b>873,337,325</b>
Add : Disposed / Sold during the period		-	-
<b>Total</b>		<b>2,054,274,409</b>	<b>873,337,325</b>
<b>Depreciation:</b>			
Opening balance		454,770,076	402,075,741
Depreciation during the period		72,629,786	52,694,335
		<b>527,399,862</b>	<b>454,770,076</b>
<b>Total (a)</b>		<b>1,526,874,547</b>	<b>418,567,249</b>
<b>Revaluation:</b>			
Opening balance		130,314,640	130,314,640
Add : Addition during the period		-	-
<b>Total (b)</b>		<b>130,314,640</b>	<b>130,314,640</b>
<b>Written Down Value (WDV) (a+b)</b>		<b>1,657,189,187</b>	<b>548,881,889</b>
Please refer to Annexure-'A' for further details			
<b>6.00 Deferred Tax</b>			
Book value of Depreciable asset		<b>1,240,253,236</b>	<b>131,945,938</b>
Tax base Written down value		1,025,617,613	-
Unabsorbed Depreciation		278,455,277	-
Less : Tax base value of depreciable assets		<b>1,304,072,890</b>	<b>100,664,040</b>
Revaluation surplus-PPE		-	-
Taxable temporary difference		<b>(63,819,654)</b>	<b>31,281,898</b>
Effective Tax rate		15%	15%
Deferred tax liabilities/(asset) on original cost of assets		(9,572,948)	4,692,285
Deferred tax liabilities on revaluation surplus	Note-6.01	2,606,293	2,606,293
Unused tax loss		-	(1,474,245)
Total closing deferred tax liabilities/(assets)		<b>(6,966,655)</b>	<b>5,824,332</b>
<b>6.01 Deferred Tax on Revaluation Reserve of Land</b>			
Revaluation Reserve		130,314,640	130,314,640
Effective Tax Rate		2%	2%
Total taxable temporary difference		<b>2,606,293</b>	<b>2,606,293</b>
<b>6.02 Deffered Tax (Income ) / Expenses</b>			
Closing Deferred Tax Liabilities		(6,966,655)	5,824,332
Opening Deferred Tax Liabilities		5,824,332	11,444,217
<b>Deferred tax (Income )/ Expenses</b>		<b>(12,790,987)</b>	<b>(5,619,885)</b>
<b>7.00 Capital Work-In-Progress</b>			
Break-up of this are as follows:			
Capital Work-In-Progress (Building)	Note-7.01	-	1,085,391,230
Capital Work-In-Progress (Machinery)	Note-7.02	1,846,945,307	1,784,831,160
<b>Total</b>		<b>1,846,945,307</b>	<b>2,870,222,390</b>
<b>7.01 Capital Work-In-Progress (Building)</b>			
Opening Balance		1,085,391,230	429,004,713
Addition during the period		91,588,354	656,386,517
<b>Total</b>		<b>1,176,979,584</b>	<b>1,085,391,230</b>
Acquisition of the period		1,176,979,584	-
Closing Balance		-	<b>1,085,391,230</b>

**Mozaffar Hossain Spinning Mills Limited**
**Rahman Mostafa Alam & Co.**

Chartered Accountants

Notes No	Particulars	Amount in Taka	
		30.06.2020	30.06.2019
<b>7.02 Capital Work-In-Progress (Machinery)</b>			
	Opening Balance	1,784,831,160	-
	Addition during the period	62,114,147	1,784,831,160
	<b>Total</b>	<b>1,846,945,307</b>	<b>1,784,831,160</b>
	Acquisition of the period	-	-
	Closing Balance	<b>1,846,945,307</b>	<b>1,784,831,160</b>

Expansion project (36,000 Spindle Ring Spinning mills) of Mozaffar Hossain Spinning Mills Limited are ongoing. Total Project Value USD 25.00 Million. Capital work in progress represents the cost incurred for acquisition and/or for construction of items of property, plant, and equipment that are not ready for use. Machinery Value Approx. USD 15.70 million are already been under installation. CWIP is measured at cost. As per "IAS-16" Depreciation of an asset begins when it is available for use, ie when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

**8.00 Investment**

This represents the followings:

Suntech Energy Limited	5,110,847	5,063,647
	5,110,847	5,063,647
Add: Profit from the Associates	(659,676)	47,200
<b>Total</b>	<b>4,451,171</b>	<b>5,110,847</b>

The company has purchased 30% shares of Tk 4,920,000 from Suntech Energy Ltd. and accounted for complying with IAS 28 "Investment in Associates" accordingly during the period. We have assessed the project "Suntech Energy Limited" there are no too much changes on our Impairment investment.

**9.00 Inventories**

Break-up of this item is as follows:

<b>Finished Goods:</b>	<b>Qty. (kg.)</b>		
Yarn	602,957	99,487,883	53,715,750
Work-in-process	368,146	55,221,957	43,996,350
<b>Raw Materials:</b>		<b>610,946,921</b>	<b>123,382,139</b>
Virgin Cotton	4,235,537	588,035,261	88,303,910
Waste Cotton	327,309	22,911,660	35,078,229
Packing Materials		2,734,910	1,477,100
Store Materials		16,781,912	16,513,210
		<b>785,173,583</b>	<b>239,084,549</b>

The above Inventories are as per physical counting made and valued by a Inventory team comprised of management nominated staff to carryout the Inventory verification. Inventories in hand have been valued at lower of cost and net realizable value as per IAS-2. Inventories were hypothecated against working capital facilities availed from the bank (Islami Bank BD Ltd.).

**10.00 Accounts Receivable**

This is unsecured, considered good and is falling due within one year. No debts are considered as bad during the year. Classification schedule as required by Schedule XI of Companies Act 1994 is as follows:

I) Accounts Receivable considered good in respect of which the company is fully secured (Annexure B)	-	-
II) Accounts Receivable considered good in respect of which the company holds no security other than the debtor's personal security (Annexure B)	164,899,980	-
III) Accounts Receivable considered doubtful or bad	-	-
IV) Accounts Receivable due by any director or other officer of the company	-	-
V) Accounts Receivable due by Common management (Annexure B)	118,813,392	313,427,416



**Rahman Mostafa Alam & Co.**

Chartered Accountants

Notes No	Particulars	Amount in Taka	
		30.06.2020	30.06.2019
	VI) The maximum amount of receivable due by any director or other officer of the company	-	-
		283,713,372	313,427,416
	Less: Adjustment of Bill Discounting (Net off Assets & Liabilities) 10.01	139,742,297	-
		<b>143,971,075</b>	<b>313,427,416</b>
	<b><u>Aging of Accounts Receivable:</u></b>		
	Dues within three months	104,640,648	84,483,000
	Dues above three months but within six months	48,397,020	142,211,537
	Dues above six months	130,675,704	86,732,879
		<b>283,713,372</b>	<b>313,427,416</b>
	<b>10.01 Adjustment of Bill Discounting (Net off Assets &amp; Liabilities)</b>		
	Woori Bank Limited	130,881,600	-
	Marcantile Bank Limited	8,860,697	-
		<b>139,742,297</b>	<b>-</b>
	<b>11.00 Advances, Deposits &amp; Pre-Payments</b>		
	Advance against Purchase Note-11.01	71,522,125	101,881,640
	Advance against Factory Expenses	2,055,800	4,567,882
	Advance against L/c Margin	4,583,000	18,922,396
	Advanced for Ring Spinning Project	1,082,366	2,137,500
	Bank Guarantee	1,176,349	1,009,739
	Prepaid Insurance	106,958	215,000
	Tax deducted at sources Note-11.02	953,292	113,528
		<b>81,479,890</b>	<b>128,847,685</b>
	<b>11.01 Advance against Purchase</b>		
	Dues within three months	21,015,200	56,034,902
	Dues above three months but within six months	11,671,680	30,564,492
	Dues above six months	38,835,245	15,282,246
		<b>71,522,125</b>	<b>101,881,640</b>
	<b>11.02 Tax Deductions at Sources</b>		
	Opening Balance	113,528	-
	Addition during the period	839,764	113,528
		<b>953,292</b>	<b>113,528</b>
	<b>12.00 Cash and Cash Equivalents</b>	<b>3,808,658</b>	<b>1,236,273</b>
	<b>Cash in Hand</b>	3,808,658	1,236,273
	<b>Cash at Banks:</b>	<b>11,456,014</b>	<b>585,691</b>
	IBBL Mouchak #20501450100327918	17,491	28,247
	IBBL Mouchak #20501452500004916	6,691	4,615
	IBBL Mouchak #20501452600004917	207	1
	IBBL(FCAD ORQ) Mouchak #20501452800001714	926,218	-
	DBBL Bhulta # 1761200001733	973,409	108,975
	DBBL Bashundhara # 1471100005894	2,092,337	291,527
	MBL Pragati Sarani A/C No. 114711123026113	83,109	-
	EBL Principal	1,531	1,954
	EBL Principal #1011360231502	151,253	150,372
	Woori Bank FC #1509640003099	5,315,920	-
	Woori Bank RQA	432,475	-
	Woori Bank #1509640002993	1,455,374	-
		<b>15,264,672</b>	<b>1,821,964</b>

**Mozaffar Hossain Spinning Mills Limited**
**Rahman Mostafa Alam & Co.**

Chartered Accountants

Notes No	Particulars	Amount in Taka	
		30.06.2020	30.06.2019
<b>13.00 Share Capital</b>			
This represents the followings:			
<b>Authorized Capital:</b>			
	300,000,000 ordinary Shares of Tk 10/- each	3,000,000,000	3,000,000,000
<b>Issued, Subscribed and Paid-up Capital:</b>			
	100,993,374 ordinary shares of taka 10/- each	1,009,933,740	990,131,120
	Note-13.01	<b>1,009,933,740</b>	<b>990,131,120</b>
<b>13.01 Share holding Position:</b>			
i) Sponsors	6,699,343	66,993,425	65,679,830
ii) SIM Fabrics Limited	33,300,737	333,007,365	326,477,810
iii) General Public & Others	60,993,295	609,932,950	597,973,480
	<u>100,993,374</u>	<b>1,009,933,740</b>	<b>990,131,120</b>
<b>14.00 Revaluation Reserve</b>			
Opening Balance			
		130,314,640	130,314,640
Add: Related Deferred Tax on Revaluation 2%			
		(2,606,293)	(2,606,293)
		<b>127,708,347</b>	<b>127,708,347</b>
In 2011, land under the ownership of MHSML was professionally revalued by ATA KHAN & Co, Chartered Accountants. Fair market value was estimated at Tk. 132,685,000 as against net book value of Tk. 2,370,360 resulting in a revaluation surplus of Taka 130,314,640 which was accounted for and transferred to revaluation reserve.			
<b>15.00 Tax Holiday Reserve</b>			
<b>A. Opening balance</b>			
		<b>72,845,417</b>	<b>72,845,417</b>
Tax Holiday Reserve (30%)			
		54,634,063	54,634,063
Reserve for Investment (10%)			
		18,211,354	18,211,354
<b>B. Add: During the Period</b>			
Tax Holiday Reserve (30%)			
		-	-
Reserve for Investment (10%)			
		-	-
<b>Total (A+B)</b>			
		<b>72,845,417</b>	<b>72,845,417</b>
<b>16.00 Retained Earnings</b>			
Details are as follows:			
Opening Balance			
		344,309,067	494,672,491
Prior year adjustment for WPPF			
		-	(7,596,470)
<b>Restated Balance as on July 01, 2018</b>			
		<b>344,309,067</b>	<b>487,076,021</b>
Add: Net Profit / (Loss) for the year			
		(119,837,397)	(95,617,854)
<b>Total</b>			
		<b>224,471,670</b>	<b>391,458,167</b>
Bonus Paid (2% Stock Dividend)			
		(19,802,620)	(47,149,100)
Retained Earnings			
		<b>204,669,050</b>	<b>344,309,067</b>
<b>17.00 Long Term Borrowings</b>			
Hajj Finance Com. Ltd - 1813			
		31,138,201	43,532,926
Hajj Finance Com. Ltd - 1925			
		56,504,458	49,500,000
Hajj Finance Com. Ltd - 1947			
		180,615,947	152,458,358
Hajj Finance Com. Ltd - 2149			
		23,640,876	20,000,000
IBBL HPSM-20501454300078403			
		2,801,449	3,083,741
IBBL HPSM-20501454300083317			
		1,738,232	1,785,133
IBBL HPSM-20501454300083500			
		1,597,507	1,575,475
IBBL HPSM-20501454300089001			
		12,812,663	12,165,686

**Rahman Mostafa Alam & Co.**

Chartered Accountants

Notes No	Particulars	Amount in Taka	
		30.06.2020	30.06.2019
	IBBL HPSM-20501454300095301	97,885,380	72,955,503
	IBBL HPSM-20501454300097909	49,592,642	40,025,000
	IBBL HPSM-20500246106759815	68,767,927	54,000,000
	IBBL HPSM-FC-20500246106759815	491,483,224	-
	IDLC	39,273,047	41,490,388
	<b>Total</b>	<b>1,057,851,553</b>	<b>492,572,210</b>
	Less: Current portion of Long term loan	(85,970,223)	(58,896,930)
		<b>971,881,330</b>	<b>433,675,280</b>

1. Purpose of Investment - To purchase/import of New Ring Spinning Machine, Utilities and Factory Shed building for the project.

2. Period of Investment - 07 (seven) years excluding 12 month gestration period.

3. Rate of return -12.30% per annum or the rate to be determined by the bank from time to time.

4. Collateral:

A. 156.10 decimal project land along with 88,200 sft. Project building vide FSV 81.36 million.

B. 397.00 decimal project land along with 1,89,4825 sft. Project building vide FSV 251.20 million.

C. 505.04 decimal project land along with 2,49,904 sft. Factory building vide FSV 598.51 million by SFL.

D. Personal Guarantee of all Directors of the Project Companies & Mortgages of their individual properties.

**18.00 Accounts Payable**

Trade Creditors (Annexure-C )	133,462	4,133,462
Bills Payable (Annexure-C )	6,325,241	3,367,590
Liability against Import Machinery	817,838,894	1,296,614,916
	<b>824,297,597</b>	<b>1,304,115,968</b>

**19.00 Cash Dividend Payable**

Opening Balance	469,705	472,738
Less: Disburse during the period	-	(3,033)
<b>Balance Payable</b>	<b>469,705</b>	<b>469,705</b>

**20.00 Long Term Borrowings- Current Maturity**

Islami Bank Bangladesh Limited	85,970,223	58,896,930
	<b>85,970,223</b>	<b>58,896,930</b>

This consists of as follows and is payable within next twelve months from the Balance Sheet date.

**21.00 Refundable fund of IPO subscribers**

Refund warrant to IPO subscribers	2,755,000	4,755,000
	<b>2,755,000</b>	<b>4,755,000</b>

This represents the amount payable to IPO subscribers against which refund warrant already been issued but not presented to the bank by the subscribers during the year.

**22.00 Short Term Borrowings****Islami Bank Bangladesh Limited Mouchak Br.**

Murabaha TR	235,508,465	226,689,105
Bai Murabaha	361,400,189	398,159,863
MFCI	437,397,387	-
Car Loan (Hajj Finance Co. Ltd-1034)	644,333	1,058,328
<b>Total short term loan of Islami bank Bangladesh Ltd.</b>	<b>1,034,950,373</b>	<b>625,907,296</b>

This represents amount excluded by the following Banks as working capital which are fully secured by Stock hypothecation and Export bills receivable at the terms & condition given below.

**Mozaffar Hossain Spinning Mills Limited**

**Rahman Mostafa Alam & Co.**

Chartered Accountants

Notes No	Particulars	Amount in Taka	
		30.06.2020	30.06.2019
	1. Purpose of Investment - To purchase/import raw materials for the project.		
	2. Period of Investment - 01 (one) year on revolving basis.		
	3. Rate of return - 12.30% per annum or the rate to be determined by the bank from time to time.		
	4. Collateral:		
	A. 156.10 decimal project land along with 88,200 sft. Project building vide FSV 81.36 million.		
	B. 397.00 decimal project land along with 1,89,4825 sft. Project building vide FSV 251.20 million.		
	C. 505.04 decimal project land along with 2,49,904 sft. Factory building vide FSV 598.51 million by SFL.		
	D. Personal Guarantee of all Directors of the Project Companies & Mortgages of their individual properties.		
<b>23.00 Provision for Income tax</b>			
	Opening Balance	100,877,371	98,761,522
	Provision for the period Note-23.01	839,764	2,115,849
	<b>Total</b>	<b>101,717,135</b>	<b>100,877,371</b>
	Tax Paid to DCT against Claim for Assessment 2016-2017	17,016,749	-
	AIT Adjustment	-	-
	<b>Closing Balance</b>	<b>84,700,386</b>	<b>100,877,371</b>
<b>23.01 Current Tax</b>			
<b>A. Minimum tax</b>			
	Turnover and other income	283,389,787	352,641,520
	Minimum tax rate	0.26%	0.6%
		<b>728,312</b>	<b>2,115,849.12</b>
<b>B. Regular tax</b>			
	Profit Before Tax	(131,788,620)	(95,986,246)
	Less: Other Income	158,379	(362,510)
	Add: Accounting Depreciation	72,629,786	52,694,335
	Less: Tax Depreciation	-	(22,471,766)
	Taxable Income for the period	<b>(59,000,455)</b>	<b>(66,126,187)</b>
	Rate of Tax	15%	15%
	Tax on business	(8,850,068)	(9,918,928)
	Add: 25 % Tax on Other Income	(39,595)	90,628
	<b>Total Provision for the Period</b>	<b>(8,889,663)</b>	<b>(9,828,300)</b>
<b>C. Tax deducted at Source</b>		<b>839,764</b>	-
<b>Current tax expenses ( Higher of A,B &amp; C)</b>		<b>839,764</b>	<b>2,115,849</b>
	Unused tax loss	-	(1,474,245)
<b>24.00 Accrued Expenses</b>			
	This is unsecured, falling due within one year and consists of as follows:		
	Audit fees	125,000	125,000
	Salaries & Wages	4,918,554	3,199,252
	Remuneration	1,757,500	-
	Gas Bill	65,208,745	4,154,548
	WPPF Payable	33,898,347	30,402,105
	Accrued Interest	15,352,226	-
		<b>121,260,372</b>	<b>37,880,905</b>

**Rahman Mostafa Alam & Co.**

Chartered Accountants

Notes No	Particulars	Amount in Taka	
		30.06.2020	30.06.2019
<b>25.00 Turnover</b>	<b>Qty. (kg.)</b>	<b>Avg. Rate</b>	
	Yarn 20's	31,000	231
	Yarn 16's	47,400	203
	Yarn 30's	1,124,624	224
	Yarn 12's	58,900	169
	Yarn 24's,14's,10's,07's	30,000	153
	<b>1,291,924</b>	<b>283,548,166</b>	<b>352,279,010</b>

**Deviation from last period Result:**

Expansion project of 36,000 Spindle Ring Spinning Mills are under construction. Due to up-gradation of power supply work, machinery installation and short supply of Gas, 50% of Rotor machine were shut down for a long time. The factory was shut down for Covid-19. Effect on demand due to spread of Covid-19 since January 2020. Hence, production and revenue have been decreased during the period.

**26.00 Cost of Goods Sold**

Raw materials consumed	Note-26.01	118,085,191	172,598,618
Accessories & Stores Consumed	Note-26.02	9,644,790	12,551,464
Packing Materials Consumed	Note-26.03	3,998,445	4,959,557
Factory overhead	Note-26.04	225,620,087	158,183,633
Opening Work-in-Process		43,996,350	32,278,233
Closing Work-in-Process		(55,221,957)	(43,996,350)
<b>Cost of Production</b>		<b>346,122,906</b>	<b>336,575,155</b>
Opening stock of Finished Goods		53,715,750	55,316,250
<b>Cost of Goods Available for Sale</b>		<b>399,838,656</b>	<b>391,891,405</b>
Closing stock of Finished Goods		(99,487,883)	(53,715,750)
Wastage Sales		(904,472)	(1,009,536)
<b>Cost of Goods Sold</b>		<b>299,446,301</b>	<b>337,166,119</b>

**26.01 Raw Materials Consumption**

Opening Raw Materials	123,382,139	185,982,447
Purchase during the period	605,649,973	109,998,310
Available for use	<b>729,032,112</b>	<b>295,980,757</b>
Closing Raw Materials	(610,946,921)	(123,382,139)
	<b>118,085,191</b>	<b>172,598,618</b>

**26.02 Accessories & Stores Consumption**

Opening Accessories & Stores	16,513,210	17,931,141
Purchase during the period	9,913,492	11,133,533
Available for use	<b>26,426,702</b>	<b>29,064,674</b>
Closing Accessories & Stores	(16,781,912)	(16,513,210)
	<b>9,644,790</b>	<b>12,551,464</b>

**26.03 Packing Materials Consumption**

Opening Packing Materials	1,477,100	594,061
Purchase during the period	5,256,255	5,842,596
Available for use	<b>6,733,355</b>	<b>6,436,657</b>
Closing Packing Materials	(2,734,910)	(1,477,100)
	<b>3,998,445</b>	<b>4,959,557</b>



**Mozaffar Hossain Spinning Mills Limited**

**Rahman Mostafa Alam & Co.**

Chartered Accountants

Notes No	Particulars	Amount in Taka	
		30.06.2020	30.06.2019
<b>26.04</b>	<b>Factory Overhead</b>		
	Gas Bill	94,808,853	65,106,033
	Wages	51,722,515	37,205,096
	Repair & Maintenance	890,949	476,459
	Factory Insurance	4,921,162	1,967,790
	Sundry Carrying Charges	283,964	312,424
	Sundry daily labor charges	615,603	500,822
	Medical & other Expenses	478,730	652,149
	Depreciation	71,898,311	51,962,860
		<b>225,620,087</b>	<b>158,183,633</b>

(a) Repairs & maintenance includes maintenance of office, premises, vehicles, building, equipment and other infrastructures. Also included therein stores and spares that has been consumed during the year.

(b) Other expenses does not included any item exceeding 1% of total revenue.

<b>27.00</b>	<b>Other Operating Income</b>		
	Interest on Bank Account	52,587	119,638
	Exchange Rate Fluctuation Gain/(Loss)	(1,979,862)	195,672
	Profit from Associate	(659,676)	47,200
	Profit from Trial Production	2,428,572	-
		<b>(158,379)</b>	<b>362,510</b>

<b>27.01</b>	<b>Profit from Trial Production</b>	<b>2,428,572</b>
	Processing Charge Received against Trial Production	<b>170,007,074</b>
	Trial Production Cost :	<b>167,578,502</b>
	Cost of Goods Processed	140,120,140
	Salary & Wages	23,663,400
	Packing Materials	1,224,500
	Carriage in Word	1,245,000
	Carriage out Word	1,325,462

As part of the BMRE Ring Unit, the Company had to complete installation & do the trial run to check the process. At the trial run, the company had to do only a partial process only. The quality of partial process / full process yarn were real qualified as final production. As such the Company engaged with a third party to provide raw materials to take at the semi process/process product from the trial run. The third party give raw materials, process it in the facility and take out. The total price of the processed product credited an account of MHSML & later take at by the third party for raw Material.

<b>28.00</b>	<b>Administrative Expenses</b>		
	Salary and Allowances	19,338,223	7,294,038
	Festival Bonus	1,888,568	1,080,000
	Audit Fee	125,000	125,000
	Managing Director Remuneration	600,000	600,000
	Director's Remuneration	1,850,000	2,100,000
	Board Meeting Fees	96,000	138,244
	Entertainment	385,667	471,076
	Traveling and Conveyance	203,946	180,455
	House & Office rent	563,000	632,600
	Telephone & Mobile Bill	61,900	106,900
	Company Secretarial, Regulatory Fee and AGM Expense	1,568,604	1,432,103
	Subscription and Donations	141,000	187,000

**Rahman Mostafa Alam & Co.**

Chartered Accountants

Notes No	Particulars	Amount in Taka	
		30.06.2020	30.06.2019
	Fuel, Fees & Renewals & other Expenses	1,551,167	1,510,867
	IT Solution	37,950	-
	Interest on WPPF	3,496,242	3,135,643
	Depreciation	731,475	731,475
		<b>32,638,742</b>	<b>19,725,401</b>
	Payment/ Perquisites to Directors and officers		
	The aggregate amount paid/ provided during the period in respect of Directors and officers of the company as defined in the Bangladesh Securities and Exchange Rules 1987 are disclosed below :		
	Particulars		
	Managing Director Remuneration	600,000	600,000
	Director's Remuneration	1,850,000	2,100,000
	Board Meeting Fees	96,000	138,244
		<b>2,546,000</b>	<b>2,838,244</b>
<b>29.00</b>	<b>Marketing, Selling &amp; Distribution Expenses</b>		
	Salaries and Allowances	432,000	570,065
	Advertisement	158,000	176,060
	Business Development	-	235,000
	Sample Expenses	-	309,321
		<b>590,000</b>	<b>1,290,446</b>
<b>30.00</b>	<b>Financial Expenses</b>		
	Bank Charges and Commission	525,023	264,786
	Interest on HPSM	8,797,813	13,836,690
	Interest on BAI Murabaha	34,321,129	51,705,862
	Interest on Murabaha TR	13,476,886	27,774,105
	Interest on MBL -IDBP	184,922	-
	Interest on Woori -IDBP	1,377,919	-
	Interest on Hajj Finance	12,004,335	-
	Interest on MFCI	7,481,347	-
	Interest on IDLC	4,333,990	-
		<b>82,503,364</b>	<b>93,581,443</b>
<b>31.00</b>	<b>Basic Earning Per Share</b>		
	Net Profit after Taxes	(119,837,397)	(95,617,854)
	Number of Shares for respected year	100,993,374	99,013,112
	<b>Earning per share (Taka) (Basic)</b>	<b>(1.19)</b>	<b>(0.97)</b>
	Net Profit after Taxes	(119,837,397)	(95,617,854)
	Weighted Average Number of Share	100,993,374	100,993,374
	<b>Earning per share (Taka) (Adjusted)</b>	<b>(1.19)</b>	<b>(0.95)</b>
	<b>Weighted average/Total existing number of share:</b>		
	Opening number of share outstanding		99,013,112
	Add: Issued during the year (2% Stock dividend)		1,980,262
			<b>100,993,374</b>
<b>32.00</b>	<b>Net Operating Cash Flow Per Share(NOCFPS)</b>		
	Cash flow from operating activities	(750,866,485)	397,347,222
	Number of Share	100,993,374	100,993,374
	<b>Net Operating Cash Flows per Share (NOCFPS)</b>	<b>(7.43)</b>	<b>3.93</b>

**Mozaffar Hossain Spinning Mills Limited**

**Rahman Mostafa Alam & Co.**

Chartered Accountants

Notes No	Particulars	Amount in Taka	
		30.06.2020	30.06.2019
<b>33.00</b>	<b>Net Asset Value Per Share (NAVPS)</b>		
	Net Asset Value	1,415,156,554	1,534,993,951
	Number of Shares	100,993,374	100,993,374
	<b>Net Asset Value Per Share (NAVPS)</b>	<b>14.01</b>	<b>15.20</b>
<b>34.00</b>	<b>General:</b>		
	i.The entity had disclosed that the BMRE-Ring Unit -Construction, Machineries setup, erection, Utilities connection already completed by March 01,2020.Company has started trial run of Machineries phase by phase and its yet to complete trial of all line of machineries setup.		
	ii.To cope with new BMRE-Ring Unit as well to get the benefit of ever low price of raw cotton,the entity had imported 4,363 M.T. of raw cotton. Compare with existing capacity and turnover the purchase is high but with the expected capacity, the purchase is justified.		
	iii.The entity was going with 50% capacity utilization. As well, they incurred cost of BMRE-Ring unit that effect the profitability. As well, the drastic effect of non-operation and limited operation as result of COVID-19 pandemic .The entity had suffered with gross loss and net loss.		
	iv.Stock in quantity & value on the basis of physical receiving of goods. As all consignment's arrival at warehouse through import by L/C. As the entity received commercial documents (Bill of entry and other related documents) after the cutoff date. So mushak against these consignments issued after the financial year.		
<b>34.01</b>	<b>Claims not Acknowledged</b>		
	There is no claim against the Company not acknowledged as debt as on 30.06.2020 .		
<b>34.02</b>	<b>Credit Facilities not Availed</b>		
	There is no credit facilities extended to the Company but nor availed of as on 30.06.2020, under any contract, other than trade credit available in the ordinary course of business.		
<b>34.03</b>	<b>Commission, Brokerage or Discount Against Sales</b>		
	No commission, brokerage or discount was incurred or paid by the Company against sales during the period ended 30.06.2020.		
<b>34.04</b>	<b>Directors Responsibility Statements</b>		
	The Board of Directors and management of the company takes the responsibility for the preparation and presentation of these financial statements as per section 183 of Companies Act 1994 and Corporate Governance Guidelines issued by Bangladesh Securities & Exchange Commission (BSEC) .		
<b>34.05</b>	<b>Employees Details:</b>		
	During the period there were 417 permanent employees employed for the full year out of which 101 employees received salary Taka 8,425 per month and above.		
<b>34.06</b>	<b>Rounding Off</b>		
	Amounts appearing in these financial statements have been rounded off to the nearest Taka wherever considered necessary.		
<b>34.07</b>	<b>Reconciliation of Net Income with Cash Flows from Operating Activities</b>		
	Statement of Cash Flows have been prepared in accordance with IAS 7 "Statement of Cash Flows" under direct method and the Reconciliation of Net Income with Cash Flows from Operating Activities are shown under indirect method as activities.		
	<b>Profit before Income Tax</b>	(131,788,620)	(99,121,889)
	Adjustment for items not involving movement of cash:		
	Depreciation on Property, Plant and Equipment	72,629,786	52,694,335
	Financial Expenses	82,503,364	93,581,443
	Profit from associates	-	(47,200)
	Foreign Exchange Gain/(Loss)	(2,055,678)	-
		<b>21,288,852</b>	<b>47,106,689</b>

**Rahman Mostafa Alam & Co.**

Chartered Accountants

Notes No	Particulars	Amount in Taka	
		30.06.2020	30.06.2019
	(Increase)/Decrease in Accounts Receivable	171,512,019	308,126,079
	(Increase)/Decrease in Inventory	(546,089,034)	53,017,583
	(Increase)/Decrease in Advance, Deposits & Prepayments	16,792,910	5,521,401
	Increase/(Decrease) in Accounts Payable	(479,894,187)	1,413,457
	Increase/(Decrease) in Accrued expenses	83,379,467	(17,724,459)
		<b>(754,298,825)</b>	<b>350,354,061</b>
	Tax paid to DCT against Claim for Assessment 2016-2017	(17,016,749)	-
	Income Tax paid during the year	(839,764)	(113,528)
	<b>Net Cash Flows from operating activities</b>	<b>(750,866,485)</b>	<b>397,347,222</b>

**34.08 Disclosed as per requirement of schedule XI, part II Para 8****Value of Raw material, packing materials and Capital goods**

Particular	Opening	Purchases	Consumption	Closing
Raw Material	123,382,139	605,649,973	(118,085,191)	610,946,921
Packing Materials	1,477,100	5,256,255	(3,998,445)	2,734,910
Spare Parts	16,513,210	9,913,492	(9,644,790)	16,781,912

**Value of Export**

Particular	In Foreign Currency USD	In BDT
Export	\$3,375,573	283,548,166

**34.09 Details of capacity has given below**

Particular	License Capacity	Installed Capacity	Actual Production
Annual Production (kg) Rotor Unit	6,600,000	6,600,000	1,494,493
Annual Production (kg) Ring Unit	6,600,000	6,600,000	-

**Note:** Expansion project of 36,000 Spindle Ring Spinning Mills are under construction. Due to up-gradation of power supply work, machinery installation and short supply of Gas, 50% of Rotor machine were shut down for a long time, Hence, production and revenue has been decreased during the period.

**35.00 Related Party Disclosure :****a) Transaction with Key Management Personnel of the entity:**

No.	Particulars	Amounts in Tk
(a)	Managerial Remuneration paid or payable during the period to the directors, including Managing directors or manager	2,450,000
(b)	Any other perquisite or benefits in cash or in kind stating, approximate money value applicable.	96,000
(c)	Other allowances and commission including guarantee commission	Nil
(d)	Pensions etc.	Nil
	(i) Pensions	Nil
	(ii) Gratuities	Nil
	(iii) Payments from a provident funds, in excess of own subscription and interest thereon	Nil
(e)	Share Based payments	Nil

**Mozaffar Hossain Spinning Mills Limited****Rahman Mostafa Alam & Co.**

Chartered Accountants

**b) Transaction with Related Entity:**

Sl.	Name of Customer	Relationship.	Balance as at 01.07.2019	Realized during the Period.	Addition during the Period .	Balance as at 30.06.2020.
(a)	SIM Fabrics Limited yarn sale	Common Management	313,427,416	-	194,614,024	118,813,392
	<b>Total</b>		<b>313,427,416</b>	<b>-</b>	<b>194,614,024</b>	<b>118,813,392</b>

**c) Transaction with Related Entity:**

Sl.	Name of Customer	Relationship.	Balance as at 01.07.2019	Realized during the Period.	Addition during the Period .	Balance as at 30.06.2020.
(a)	SIM Fabrics Limited (land transferred against shares)	Common Management	250,000,000	-	-	250,000,000
	<b>Total</b>		<b>250,000,000</b>	<b>-</b>	<b>-</b>	<b>250,000,000</b>

**36.00 Financial risk management****36.01 Introduction**

The Company's activities expose it to a variety of financial risks: credit risk, market risk (including interest rate risk and foreign currency risk), and liquidity risk. The Company's risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to economically hedge certain risk exposures. Financial risk management is carried out by accounts and finance department under policies approved by the Board of Directors. Company finance identifies, evaluates, and hedges financial risks in close co-operation with the Company's operating units. The 'Finance Policy' provides principles for specific areas, such as credit risk, interest rate risk, foreign currency risk, use of derivative financial instruments, and investment of excess liquidity. This note presents information about the Company's exposure to each of the risks arising from financial instruments and the Company's objectives, policies, and processes for measuring and managing risk. Further quantitative disclosures are included throughout these consolidated financial statements."

**36.02 Carrying amounts of financial instruments by category**

The following table shows the carrying amounts of financial instruments by category at the end of June 30, 2020:

**Maturity analysis**

Particulars	Current	>30 days	>90 days	>1 year	Total
<b>Loans and receivables:</b>					
Cash and Cash Equivalents	15,264,672				15,264,672
Trade and Other Receivables	141,856,686	70,928,343	47,285,562	23,642,781	283,713,372
Advances, Deposits and Prepayments	40,739,945	20,369,973	13,579,982	6,789,991	81,479,890
Balance at June 30, 2020	197,861,303	91,298,316	60,865,544	30,432,772	380,457,934
<b>Financial liabilities measured at amortized cost:</b>					
Long Term Loan				1,057,851,553	1,057,851,553
Short Term Bank Loans and Others	517,475,187	258,737,593	172,491,729	86,245,864	1,034,950,373
Trade and Other Payables	3,229,352	1,614,676	1,076,451	538,225	6,458,703
Liabilities for Expenses	60,630,186	30,315,093	20,210,062	10,105,031	121,260,372
Balance at June 30, 2020	581,334,724	290,667,362	193,778,241	1,154,740,674	2,220,521,001

**36.03 Credit risks:**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations, and arises principally from cash and cash equivalents, time deposits, and trade accounts receivable. The credit risk with Accounts Receivable (see note 10) is limited, as the Company has numerous

**Rahman Mostafa Alam & Co.**

Chartered Accountants

clients located in various geographical regions. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. For risk control, the customers are companied as follows (risk companies): governmental organizations, listed public limited companies, and other customers. Credit limits are established for each customer, whereby the credit limit represents the maximum open amount without requiring payments in advance or letters of credit; these limits are reviewed regularly (credit check). The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Statement of Financial Position. There are no commitments that could increase this exposure to more than the carrying amounts.

**36.04 Market risks**

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and other prices will affect the Company's result or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return on risk.

**36.05 Interest rate risk**

At the reporting date, the Company had the following interest-bearing financial instruments: cash and cash equivalents, time deposits, rent deposits, and bank liabilities. All cash and cash equivalents mature or reprise in the short-term, no longer than three months. Borrowings mainly bear interest at fixed rates. Cash and cash equivalents and borrowings issued at variable rates expose the Company to cash flow interest rate risk. The Company does not account for any fixed-rate borrowings at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss. The Company Finance manages the interest rate risk to reduce the volatility of the financial result as a consequence of interest rate movements. For the decision whether new borrowings shall be arranged at a variable or fixed interest rate, the Company Finance focuses on an internal long-term benchmark interest rate and considers the amount of cash and cash equivalents held at a variable interest rate. Currently, the interest rate exposure is not hedged.

**36.06 Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Company Finance manages the Company's liquidity to ensure sufficient liquidity to meet all liabilities when due, under both normal and stressed conditions, without facing unacceptable losses or risking damage to the Company's reputation. Excess liquidity can be invested in instruments such as time deposits, government, and corporate bonds, shares of publicly listed companies, and capital protected instruments. The following are the contractual maturities of financial liabilities, including interest payments:"

BDT	Carrying amount	Between 1 and 90 days	Between 91 and 360 days	Between 1 and 2 years	Over 2 years
<b>Non-derivative financial liabilities</b>					
Long Term Loan	1,057,851,553			793,388,665	264,462,888
Short Term Bank Loans and Others	1,034,950,373	258,737,593	776,212,780		
Trade and Other Payables	6,458,703	1,614,676	4,844,027		
Liabilities for Expenses	121,260,372	30,315,093	90,945,279		
<b>Balance at June 30, 2020</b>	<b>2,220,521,001</b>				

**37.00 Event after the Balance Sheet Date:**

**37.01** The Board of Directors in its meeting held on October 28, 2020 has approved the Financial Statements for the year ended June 30, 2020 and recommended 1% cash dividend for the all general public shareholders other than sponsor or director which is subject to approval by the shareholders at the forthcoming Annual General Meeting (AGM) and authorize the financial statements for issue.

**37.02** Except the fact stated above, no circumstances have arisen since the balance sheet date, which would require adjustment to or disclosure in the financial statements or notes thereto.



Chief Financial Officer



Company Secretary



Director



Managing Director



Chairman



**Rahman Mostafa Alam & Co.**  
Chartered Accountants

## MOZAFFAR HOSSAIN SPINNING MILLS LIMITED

Annexure of Property, Plant & Equipment

As at June 30, 2020

Annexure A

**Cost:** Amount in Taka

Particulars	COST		Rate of Dep.	DEPRECIATION			Written down value as at 30.06.2020
	As at July 01, 2019	Addition during the year		As at June 30, 2020	Charged during the year	As at June 30, 2020	
Land & Land Dev.	286,621,311	-	-	-	-	-	286,621,311
Factory Building	119,545,355	1,176,979,584	5%	45,723,283	25,593,594	71,316,877	1,225,208,062
Plant & Machinery	459,855,918	2,690,000	10%	405,813,759	46,199,925	452,013,684	10,532,234
Vehicle	5,586,326	-	10%	1,970,932	558,633	2,529,565	3,056,761
Furniture & Fixture	1,728,415	-	10%	1,262,102	172,842	1,434,944	293,471
Air Condition	-	1,267,500	10%	-	104,792	104,792	1,162,708
<b>Balance as on 30.06.2020</b>	<b>873,337,325</b>	<b>1,180,937,084</b>		<b>454,770,076</b>	<b>72,629,786</b>	<b>527,399,862</b>	<b>1,526,874,547</b>
<b>Balance as on 30.06.2019</b>	<b>870,752,348</b>	<b>2,584,977</b>		<b>402,075,741</b>	<b>52,694,335</b>	<b>454,770,076</b>	<b>418,567,249</b>

**Revaluation:**

Particulars	COST		Rate of Dep.	DEPRECIATION			Written down value as at 30.06.2020
	As at July 01, 2019	Addition during the year		As at June 30, 2020	Charged during the year	As at June 30, 2020	
Land & Land Dev.	130,314,640	-	-	130,314,640	-	-	130,314,640
<b>Balance as on 30.06.2020</b>	<b>130,314,640</b>	<b>-</b>	<b>-</b>	<b>130,314,640</b>	<b>-</b>	<b>-</b>	<b>130,314,640</b>
<b>Balance as on 30.06.2019</b>	<b>130,314,640</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130,314,640</b>

<b>Balance as on 30.06.2020</b>	<b>1,003,651,965</b>	<b>1,180,937,084</b>		<b>454,770,076</b>	<b>72,629,786</b>	<b>527,399,862</b>	<b>1,657,189,187</b>
<b>Balance as on 30.06.2019</b>	<b>1,001,066,988</b>	<b>2,584,977</b>		<b>402,075,741</b>	<b>52,694,335</b>	<b>454,770,076</b>	<b>548,881,889</b>

**Depreciation Charged To-**

Administrative Cost	731,475
Manufacturing Cost	71,898,311
<b>Total</b>	<b>72,629,786</b>

Note: The company use an accounting software(Intangible asset ) which is fully amortized.

**Rahman Mostafa Alam & Co.**

Chartered Accountants

**MOZAFFAR HOSSAIN SPINNING MILLS LIMITED****Annexure of Accounts Receivable****For the year ended July 01, 2019 to June 30, 2020****Annexure- B****Disclosure as per requirement of Schedule XI, Part - I ( A. Horizontal Form) of Companies Act.1994****In regard to sundry debtors the following particulars' shall be given separately:-**

The debtors occurred in the ordinary course of business are considered good. The details of Accounts Receivable are given below:

Name of Customer	Amount in Taka			
	Balance as at 01.07.2019	Addition during the period	Realized during the period	Balance as at 30.06.2020
ACS Textile Ltd.	-	231,155,484	106,736,784	124,418,700
ACS Towel Ltd.		14,795,340		14,795,340
Rownok Textile Mills	-	22,508,842	11,911,402	10,597,440
Moom Tex. Expo Ltd	-	14,049,000	-	14,049,000
Amber Denim Mills Ltd	-	1,039,500	-	1,039,500
<b>Sub-total</b>	<b>-</b>	<b>283,548,166</b>	<b>118,648,186</b>	<b>164,899,980</b>

**Accounts Receivable due by Common management:**

The debtors occurred in the ordinary course of business are considered good. The details of Accounts Receivable are given below:

Name of Customer	Amount in Taka			
	Balance as at 01.07.2019	Addition during the period	Realized during the period	Balance as at 30.06.2020
SIM Fabrics Limited	313,427,416	-	194,614,024	118,813,392
<b>Sub-total</b>	<b>313,427,416</b>	<b>-</b>	<b>194,614,024</b>	<b>118,813,392</b>
<b>Total</b>	<b>313,427,416</b>	<b>283,548,166</b>	<b>313,262,210</b>	<b>283,713,372</b>

**Mozaffar Hossain Spinning Mills Limited****Rahman Mostafa Alam & Co.**

Chartered Accountants

**Mozaffar Hossain Spinning Mills Limited****Schedule of Trade Creditors**

For the year ended 30 June 2020

**Annexure- C****Trade Creditors:****Amount in Taka**

<b>Name of Supplier</b>	<b>Balance as at 01.07.2019</b>	<b>Payment during the period</b>	<b>Bill during the period</b>	<b>Balance as at 30.06.2020</b>
AB Enterprise	4,133,462	4,000,000	-	133,462
<b>Sub Total (A)</b>	<b>4,133,462</b>	<b>4,000,000</b>	<b>-</b>	<b>133,462</b>

**Bills Payable:****Amount in Taka**

<b>Name of Supplier/Service Provider</b>	<b>Balance as at 01.07.2019</b>	<b>Payment during the period</b>	<b>Bill during the period</b>	<b>Balance as at 30.06.2020</b>
Amreen Refrigeration & Engineering	-	1,000,000	1,267,500	267,500
AMSLER Textile Effect Systems			214,200	214,200
Asia Pacific Textrade Ltd			907,325	907,325
Bangladesh Association of Public Listed Co.	50,000	50,000	50,000	50,000
Bangla Trac Limited	485,502	1,144,775	805,400	146,127
Beximco Online	24,150	37,950	13,800	
Bestair Engineering		200,000	246,050	46,050
Central Depository Bangladesh	10,679	-	106,000	116,679
Chemtex B.D 30,700	-	-	30,700	
Chittagong Stock Exchange Ltd	739,402	-	575,332	1,314,734
Changzhou Tonghe Textile Machinery		671,922	706,050	34,128
Dhaka Stock Exchange Ltd	563,551	659,386	554,452	458,617
Mahin Enterprise & Packaging	156,147	-	-	156,147
Minarva Engineering Works	23,106	600,000	614,500	37,606
Monir Steel House	488,800	2,201,300	2,221,300	508,800
MH Rubber & Plastic Machineries Ltd.	-	219,500	306,052	86,552
MS Enterprise -	1,400,000	1,532,125	132,125	
New Mokka Trading	-	4,577,240	4,774,416	197,176
Maa Enterprise& Packaging	-	880,000	975,347	95,347
Mostakim Enterprise	-	1,550,000	1,592,871	42,871
Galaxy Corporation	-	135,000	135,000	-
Orient Plastic & Packing Ind. Ltd	80,000	30,000	-	50,000
Peoples Insurance Company Ltd.	-	243,097	631,398	334,669
Reyan Machinery 187,850	216,575	193,900	165,175	
Rotation Engineering	57,957	343,876	285,919	-
Kaizer Enterprise -	750,000	849,860	99,860	
Sabuj Timber & Traders	271,471	275,557	145,557	141,471
Touch Paper Products	-	2,250,000	2,597,812	347,812
Textile Associates Ltd	-	392,000	451,500	59,500
S.R Shipping Agency	103,738	-	-	103,738
Amra Bangla		10,000	10,000	
SAIL International Ltd	-	648,700	658,400	9,700
Step Transmission	118,687	245,000	273,145	146,832
<b>Sub Total (B)</b>	<b>3,367,590</b>	<b>20,708,078</b>	<b>23,719,361</b>	<b>6,325,241</b>
<b>Total (A+B)</b>	<b>7,501,052</b>	<b>24,708,078</b>	<b>23,719,361</b>	<b>6,458,703</b>

**Mozaffar Hossain Spinning Mills Limited**

House # 315, Road # 04, DOHS, Baridhara, Dhaka-1206

**PROXY FORM**

I/we \_\_\_\_\_ being  
a member(s) of **Mozaffar Hossain Spinning Mills Limited** do hereby appoint Mr/Mrs \_\_\_\_\_  
of \_\_\_\_\_ as my / our Proxy to attend and vote  
on behalf of me / us at the **15th Annual General Meeting** of the Company to be held on **Sunday, the 27th December, 2020**  
**at 11.00 AM** at the Digital Platform to transact the following business. **Mozaffar Hossain Spinning Mills Limited**

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

<b>Folio No. ....</b>	<b>BO A/C No.</b>																	
-----------------------	-------------------	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

\_\_\_\_\_  
**Signature of the Proxy with Date**

\_\_\_\_\_  
**No. of Share(s)**

Revenue Stamp  
for Tk. 20.00  
(Twenty) only

\_\_\_\_\_  
**Signature of the Member with Date**

N.B.: This Form of Proxy, duly signed (as recorded with the company), stamped and completed must be submitted to the Registered Office or Share Department (the Company's Registered Office: House # 315, Road # 04, DOHS, Baridhara, and Dhaka-1206) of the Company at least 48 (Forty Eight) hours before the Meeting.

**Mozaffar Hossain Spinning Mills Limited**

House # 315, Road # 04, DOHS, Baridhara, Dhaka-1206

**Attendance Slip**

I do hereby record my/our attendance at the 15th Annual General Meeting (AGM) of **Mozaffar Hossain Spinning Mills Limited** to be held virtually under digital participation on Sunday, 27 December 2020, at 11:00 a.m.

**Full Name of the Member :** .....

<b>Folio No. ....</b>	<b>BO A/C No.</b>																	
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**No. of Share(s)** .....

Dated : .....

**Full Name of the Attorney/ Proxy** .....

\_\_\_\_\_  
**Signature of the Proxy**

\_\_\_\_\_  
**Signature of the Member**

**N.B.: Shareholders are requested to handover the Attendance Slip at the entrance of the Meeting Hall.**



## **MOZAFFAR HOSSAIN SPINNING MILLS LTD.**

**Head Office :** House # 315, Road # 04, Baridhara DOHS, Dhaka-1206, Bangladesh  
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Website: www.simgroup-bd.com